

ASIA Cable & Satellite WORLD

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Approval at last for DTH satellite in India

BY VIVEK COUTO

Hong Kong

After more than five years of postponed bills and oppressive regulations, the Indian government November 3 announced its approval of Ku-band direct to home (DTH) satellite television broadcasting.

Cable's critical mass of 28 million homes and its growing broadband ambition means that DTH satellite could struggle to attain significant share of a market boasting more than 75 million TV homes.

And, although the government has finally relented on deregulation, Information & Broadcasting Minister Sushma Swaraj has indicated that a laundry list of operating restrictions will come into existence.

As a result, DTH-based competitors could find life difficult in the years ahead. Swaraj says the government has yet to unveil its final blueprint but the operating environment is likely to be guided by the following measures:

- Licenses will run for 10 years and as non-exclusive. Each operator is required to pay an entry fee of R100 million (US\$2.3 million) and will have to hand over 10% of its revenues as annual fees. A R400 million bank guarantee has also been mandated.

- The limit on international direct investment is 20% with non-residents allowed to hold 49%. No broadcaster or cable-TV company is allowed to own more than 20% of a DTH vehicle.

- In terms of content, DTH operators will follow the advertising and programming code drawn up by the information and broadcasting ministry.

- DTH operators can offer value-added services such as fax, voice, or broadband, as long as regulatory approval is received.

Likely DTH aspirants include Rupert Murdoch's Star TV, Subhash Chandhra's Zee Telefilms, public broadcaster Doordarshan (DD) and C Sivasankaran's Sterling Group.

DD is favorite to acquire the first license; others could form joint venture consortiums while technology company HFCL and broadband heavyweight the Reliance Group could also emerge as new market players.

And, just as in Japan, it is likely that competing platforms could be forced to merge to gain scale and competitive edge.

ETH Ltd, a company owned by Sterling Infotech Ltd, is set to offer 60 DTH channels, according to the Chairman of the Sterling Group, C Sivasankaran.

Sivasankaran said that the company proposed to invest R13.5 billion in the venture.

The investment would come from Sterling Infotech as well as from Mr Sivasankaran's Singapore-based investment company and other "strategic partners."

ETH will likely use three Ku-band transponder on Singapore Telecom's ST-1 satellite for the broadcasts.

Kagan Asia Media forecasts 1.5 million DTH satellite customers in India by end 2002, rising by 233% to reach 3.5 million by 2005, only 3% of 111 million TV homes.

By that time, cable-TV could reach 51 million subscribers, a 46% penetration.

The installation costs and subsequent subscription of DTH services (US\$10.50/month) would be a costly proposition for most consumers vis-a-vis cable-TV services (US\$5.50/month).

Kiran Karnik, Managing Director, Discovery India, said, "The DTH subscriber base will be skewed towards a niche market. It is a disbursed delivery platform when compared to the concentrated cable-TV platform."



SUSHMA SWARAJ,
Information and
Broadcasting Minister

Inside

News

- 5 New cable power in Japan
- 5 New bidders for Optus
- 6 Sky Perfect down on debut
- 10 Zee Telefilms on a roll
- 12 Tech TV goes to Asia
- 12 SingTel's broad vision
- 14 PCCW/Telstra deal done
- 16 Korea satellite license race
- 17 China Broadband CVN launch
- 18 Seven/Foxtel in battle
- 20 Ad spend booms
- 21 B4U public ambitions
- 22 RPG Netcom in broadband

Features

- 34 Meet India's new I&B queen
- 36 Corporate Profile: Tomen Mediacom
- 44 Disney cautious in Asia
- 46 Pay-TV gains credibility

Satellite

- 52 ACEs is designed for Asia

Asian Markets

- 57 Media stocks - bargain buys?
- 58 Kagan averages and stocks
- 50 Management moves
- 62 Industry events

Murdoch and Dell linked to China Netcom

Media and telecommunications development in China has long existed as a state-owned enterprise.

But a new deal likely to be confirmed by the end of this year could give state-owned entities the opportunity to access the capital they so critically need to compete in broadband communications.

Data communications carrier China Netcom Corp. (CNC) is close to raising US\$300 million in equity

financing from a group of high-powered international investors.

The Wall Street Journal reported the news on October 20 citing sources "close to the arrangement."

The investors include Rupert Murdoch (News Corp.), Michael Dell (Dell Computer Corp.) brokerage Goldman Sachs & Co. and Hong Kong property tycoons — Kwok Bros. (Sun Hung Kai), Shaun Kee (Henderson Land) and Robert Kuok

Hock Nien (the Kerry Group).

The deal is awaiting final approval from the State Council in Beijing, China's highest governing body.

If the deal closes, the new investors would gain access to China's broadband cable subscriber mass — 90 million homes by year-end 2000, according to Kagan Asia Media estimates.

Continued on page 4

CNN's new synergy

Driven by Marcopoto's Three Cs — content, context and convergence, CNN considers how to put its new Hong Kong home to best use.



Page 24

E-Universe

Major Internet players are still smiling and remain confident of a strong position in Asia's fast-expanding Internet universe.



Page 26

Cable lords

China's cable lords are gung-ho on laying the hardware but frustrated in delivery by the lack of business models.



Page 40

Essentially Asian.



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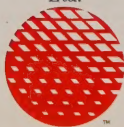
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The game begins again

Battered by a steady barrage of dotcom shutdowns, concerns over Web advertising growth and the erosion of capital pools, leading companies operating in Asia's Internet universe are being compelled to adhere to the basic economics of business.

Kagan Asia Media's (KAM) regional Internet stock average – comprising broadband Internet plays, venture capital funds, portal aggregators and e-conglomerates – is down more than 90% this year. It began life amid the longest bull market in history at the end of last year but then began to tank (just like most media and technology-related stocks around the world) after the historic crashes in April 2000.

For some, the new lows that regional Internet stocks have reached signifies that the great Internet game has ended. KAM however reckons the game is starting again with the first round of consolidation in the works. Over the next year, the majority of Web-related companies will either merge, be bought by other companies or go bankrupt. Those that have retained enough cash and market capitalization will buy smaller, struggling companies and emerge with greater scale and competitive edge.

Chinadotcom, Sina.com, Netease and Sohu.com will likely be the consolidators of this brand of new media Darwinism. Portal aggregators such as Yahoo! Japan, Korea's Daum Communications and India's Rediff.com will capitalize on their leadership to leverage growth from an online advertising market that could reach new peaks in the long term. And, broadband Internet plays – PCCW, GigaMedia and Korea Thrunet – will benefit from investing more money in infrastructure and in content. Some of these contenders could also become investment targets for players in the cable and satellite sector. Broadcasters and broadband service providers need new media assets to create scale and access new markets.

Meanwhile, Asia's Internet leaders can take comfort from growth in the operating market. KAM forecasts 200 million Internet users by 2005 with e-commerce revenue surging past the US\$300 billion mark and online advertising growing to more than US\$5 billion. There is plenty more upside beyond 2005. KAM's tally of 200 million users represents only 6% penetration of a 3.1 billion population. By that time, the greenfields of Japan and Korea would have been successfully ploughed but the vast populations of China and India would remain largely untapped.

Vivek Couto

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TOT to lease Internet network

The government-owned Telephone Organization of Thailand (TOT) November 3 was expected to sign a contract to lease its domestic Internet network to 11 ISPs.

TOT President Sutham Malila said he had received unofficial confirmation from the Attorney-General that the leasing would not breach Thai law. "We expect to receive official confirmation and conclude deals with the first group of ISPs this month."

The 11 ISPs include Shin Corp.'s Advanced Information Technology, Smart Infonet and Singapore's Freeinet, tipped to be Thailand's first free ISP.

TOT has invested more than Bt100 million (US\$2.3 million) to expand its IP network equipment.

The investment allows TOT to offer comprehensive IP network services, including remote Internet access for a flat rate of Bt3 a call from land lines throughout the country.

Correction: Americom Asia-Pacific's GE-1A satellite launched October 2 features 36 MHz Ku-band transponders, not 26 MHz as reported in ACSW Vol 3 No.8 October 2000.

CHINA

CNC on a broadband mission

Continued from page 1

High-speed cable Internet access became a possibility in March last year when the government granted permission for cable-TV providers to offer Internet services. The bandwagon was moving a month later with the start of a national fiber backbone rollout fronted by the CNC consortium.

Initially capitalized at US\$30 million, CNC is majority owned by China's Ministry of Railways (MOR); the State Administration of Radio, Film and Television (SARFT); the Shanghai Municipal Government; and the China Academy of Sciences.

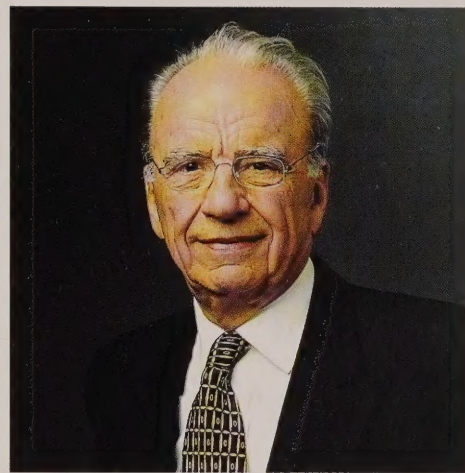
CNC plans to construct and manage high-speed Internet access projects in 15 Chinese cities by renting SARFT's and MOR's fiber networks. Each of the four parties hold a 25% stake in the company which was initially capitalized at US\$30 million.

Chief Executive Edward Tien is an important asset for the company. While living in Texas, he established the NASDAQ-listed Asia Info Holdings Ltd, a systems-integration and software firm. Since it moved its operations from the US to China in 1995, Asia Info has served as a chief

architect of China's Internet infrastructure, crafting Internet backbones for all the major national carriers including China Telecom, China Unicom, China Netcom and China Mobile.

If the State Council does allow the US\$300 million capital infusion, it won't guarantee plain sailing. The SARFT currently oversees regulation on cable TV but rival body the Ministry of Information & Industry (MII) wants control of cable's broadband future leaving SARFT as a pure content regulator. In November last year, the Ministry of Information Industries (MII) called an abrupt halt to Internet/data activity by cable companies and video activity by telcos.

In a policy reversal last month, Liu Chai, Director General of policy for the MII, indicated that cable com-



RUPERT MURDOCH, Chairman, News Corp.

panies and telephone service operators would be able to compete in each other's industries. He later retracted the statement.

If the CNC deal closes, some sort of compromise between the regulatory architects of future media development in China may have been found and the first wave of international media companies would have secured a legitimate entry route into the world's biggest media greenfield. ●

Companies are indexed to the first page of the article in which each is mentioned.

IN THIS ISSUE

24/7 Media	30	Digitel Telecommunications Philippines	5	Lycos Korea	5,52	Singapore Cable Vision	48,50
3Com	22	DirectTV Japan	45	Marconi	28	Singapore Press Holdings Ltd	10
ABC News	44	Discovery India	1	Marubeni Corp.	5	SingTel	5,12
ABS-CBN	57	Disney Channel	44,45	MCM	21	SK Telecom	12
ACNielsen	20	Doordarshan	1,34	Measat	35,46,48	SkyCable	18
Alcatel	5	Eastern Multimedia Group	30	MediaOne	36	Sky Internet	18
Alcatel Telespace	52	Encore	43	Merrill Lynch	6,28	Sky Network TV	6,18,48,57
Alita Vista	32	Epson	30	Microsoft	5,12,25,30,36,38,48	Sky Perfect	6,24,46,48,50,57
America Online	26	ESPN	43	Ministry of Railway	42	Softbank	6,28,57
ACL	24,25	ESPN-Star Sports (ESS)	50	Mitsubishi Corp	6	Sohu.com	30
Airang TV	50	ETH Ltd	1	Morningside Cyber Ventures	30	Sony	5,6,38
AT&T	12	Fantastic Circle Investments Ltd	10	Motorola	28	Sony Entertainment TV	21,45
Austar	5,6,22,45,48,50,57	Fashion TV Paris	21	MPI	42	Space Systems/Loral	52
Barco	22	Ford	30	MPT	38	SPH MediaWorks	10
Bayantel	18	ForIndia.com	10	MTV	21,43	Star East Holdings	10
B4U Multimedia International Ltd	21	Foxtel	5,18,22,45,48	MTV Networks	50	StarHub	22
BEC World	57	Fujitsu Ltd	5	nCube	17	Star TV	1,10,30,35,48,50,57
Beijing Cable TV	40,42	Fuji TV	6,57	NDS	42,50	Sterling Group	1
Beijing Fengtai Cable	18	Gaylord Cable Networks	22	Netease.com	20,30	Sterling Infotech	1
Bell Atlantic	18	GigaMedia	25,26,48	New World	30	Sumitomo Corp	5,36
Benpres Holdings	18	Google	20	News Corp	6,18,20,30,42,43,50,57	Sun Hing Kai	42
Bertelsmann	28	Goldman & Sachs	1	News Ltd	10	Sun Hung Kong Cybernetworks Holdings	18
Bharti Group	5	Henderson Land	42	News Skies Satellites	5	Taiwan Broadband	30
British Telecom	12	HFCL	1	Nickelodeon	45,50	Tara Group	22
Cable & Wireless Optus	5	Hinduja Group	10	Nifty Corp.	5	TBS	57
Cable & Wireless plc (UK)	12	Hong Kong Telecom	14,30	Nine Network	10	Tech TV	12
Carlton Communications	44	HSBC	30	Nippon TV Network	6	Tepeco	5
Cartoon Network	44,45	Hutchison Telecom	30	Nomura Securities	5,6	Telecom Corp. NZ	5
CETV	20,43	Hyundai Group	16	Noriel	17	Telekom Malaysia	5
Central CATV, Inc	18	i-CABLE	48,57	NTT	12	Telephone Organization of Thailand	5
Century Vision Network	17	IN CableNet	10	NTT DoCoMo	5,6,24,25,45	Telstra	10,14,18,50
Channel News Asia	24	IndusInd Media and Communications	10	NTV	57	Ten Network	10,57
Channel V	21	Information Network Group	17	Olympic Holdings	36	Time Warner	24,25,36,43,45,50
China Aerospace Science & Tech.	42	I-Sec Securities	21	On Media	50	Titagrah Industries	22
China Broadband Corp	17,42	Integrated Broadband Services	18	Open TV	42,48,57	Titus Communications	5,36,38
China Central Television	43	Intel	30,48	Optus	5,22,45,48	Tokai Cable	36
China Mobile	4	Irdo	42	Pacific Century CyberWorks	5,14,26,36,38,50	Tokyu CATV	36
China Netcom	1,4,42	Itochu	6	Pacific Digital Media	57	Tokyu Corp	38
China Ren	30	Japan Satellite Broadcasting	6	Philippine Long Distance Telephone	52	Tokyu Cable	5,38
China Telecom	4,42	Japan Telecom	12	Phoenix Satellite TV	18,20,43,57	Tokyo Electric	5
China Unicom	4	Jasmine International	52	Procter and Gamble	30	Torment Mediacom	5,36,38
Chinadotcom	4	JM Morgan Stanley	21	Publishing & Broadcasting	18,57	Turner Broadcasting	24
Chunghua Telecom	30	"John Fairfax, News Ltd"	10	Rediff.com	26	Turner Entertainment Networks Asia	50
Cisco	22,30	Jupiter Telecommunications (J-Com)	5,36,38,48	Reliance Group	1,22	TVB	48,57
Citic Pacific	43	Kerry Group	42	RPG Netcom	22	United Broadcasting Corp	48,57
CNN	24,25,43	KK Modi Group	45	Samsung Entertainment Group	50	UnitedGlobalCom	48,50
Concurrent Computer Corp	42	Koo's Group	25,30	SARFT	42,43	Viacom	45,50
Country Music Television	22	Korea Digital Broadcasting	16	Saturn	50	Vodafone	12
Dacom	16	Korea Satellite Broadcasting	16	Satway Infoway	12,22	Yahoo!	26
Daum Communications	26	Korea Telecom	16,28	Seven Co.	5	Yahoo! Japan	28
Dell Computer	1,42	Liberty Media	5,36,38,48	Shanghai Cable TV	10,18,57	Yahoo! Korea	28
		Lockheed Martin Global Telecommunications		Shin Corp	40	Yunnan B'casting & Television Network Grp	17
				Sina.com	26	ZDTV	12
						Zee Telefilms	1,10,21,35,48,50,57
						ZPDee	18

CABLE-TV

New Japan cable contender

BY J R BURROUGHS

Tokyo

Fujitsu Ltd., Secom Co., Marubeni Corp. and Tokyo Electric Power Co. October 26 announced that they will jointly establish a company in December to integrate their respective cable TV units.

The new entity, capitalized at US\$305 million, will distribute digital programs on behalf of broadcasters and provide broadband Internet services and Internet phone links. Fujitsu will have a controlling stake of 31% in the new company with the others holding 23% each.

Distribution services on behalf of affiliated and independent cable TV stations will begin in the Tokyo area from April and expand nationally to reach 10 million households, a 22% penetration of 46 million TV

homes in the country.

The partners expect the joint venture to sign up 40 cable TV firms with 1.4 million subscribers in 2001, including some 20 affiliated stations in the Tokyo area, growing to 80 firms with 3 million subscribers by 2003.

Fujitsu already owns Nifty Corp., the largest land line Internet service provider in the country while both Tepco and Marubeni have fiber optic telecom networks in Japan.

The news of the merger comes on the back of growing M&A activity in the Japanese cable sector.

In July, leading MSO J-Com merged operations with second-ranked player Titus to create a company controlling a franchise of over seven million homes.

Liberty Media (35%),

Sumitomo (35%) and Microsoft (24%) are the lead investors in the company.

In the same month, both Sony and Pacific Century CyberWorks bought into the market with investment in Tokyu Cable and Tomen Mediacom.

These players are eager to buy into cable's broadband potential (high-speed data and telephony) and in order to gain scale, most have decided to merge operations.

Kagan Asia Media estimates four million cable-TV subscribers by end 2000, only 22% penetration of 18 million homes passed.

Future growth will be driven by digital tiers and high-speed data services. Additionally, mergers such as those led by J-com and Fujitsu will provide an end to years of over fragmentation. ●

AUSTRALIA

Japanese/NZ interest in Optus fire sale

BY OWEN HUGHES

Sydney

Telecom Corp. of New Zealand and Japan's largest mobile telecoms operator NTT DoCoMo have emerged as the leading contenders to buy the consumer assets of Australia's Cable & Wireless Optus.

The two would-be partners are said to be interested in taking 20% each in the mobile and broadband assets owned by Optus.

Both companies have been consistently linked with Optus' assets since the comments by Cable & Wireless chief executive Graham Wallace in London in early October. He said then there was no compelling reason for the company to retain its consumer assets in Optus. Cable & Wireless holds a 52.2% stake in the company.

Austar United Communications, Australia's second-largest pay-TV provider after Foxtel, had been in talks with Optus, but these stalled over the valuation of the assets which also include the satellite division.

Optus' mobile business is worth around A\$6 billion (US\$3.6 billion), and the broadband network between A\$780 million and A\$1.25 billion. There are reports that Optus needs to invest a further A\$720 million in the broadband network over the next five

years, although Optus chief executive Chris Anderson has denied the assertion.

Giving credence to the Telecom New Zealand and DoCoMo link was the presence in Sydney of the former's chief executive Theresa Gattung at the end of October at the same time as Stephen Petit, a director of Cable & Wireless and one of the executives leading the Optus sale. Petit then left for a series of meetings in Tokyo.

Neither DoCoMo or Telecom New Zealand has been willing to comment on their interest in Optus, but the Japanese involvement would mirror their strategy of purchasing minority stakes in foreign operations. Last year it took a 19% stake in Hong Kong's Hutchison Telecom.

Nomura Securities, the financial adviser to Telecom New Zealand, has also been due to take part in meetings with Optus. Nomura's track record of buying assets and then selling them through a float or trade sales appears to be a factor in its involvement. This has spawned suggestions that it could securitize Optus assets once they had been purchased, and lease the broadband network for Telecom New Zealand to manage.

One factor that may count against Telecom New Zealand and DoCoMo is that neither of them uses

the GSM 900/1800 network Optus has in their domestic markets and any acquisition would add little to the value of the Australian operations. On the other hand, the Japanese are said to be interested in taking a stake before Australia's 2001 3G-spectrum auctions.

The Optus sell-off is being labeled a fire sale in Australia, and it has become clear that within the company there are differing attitudes to divesting the company of its high-profile assets. Petit admitted that there are different agendas within Optus and Cable & Wireless because the Australian company had national concerns while the parent's focus was global. But he said there was no split about the "direction of this review process".

Pro-sales staff say that Optus had been reviewing its assets for a year, looking for ways to add value to them by bringing in strategic partners, while at the same time maintaining the rights of majority shareholders.

Yet the overall thrust of the sale fits into Wallace's promise to shareholders that the consumer side of the Cable & Wireless business agenda would be left behind as the company moved to become a global business and data communications provider. ●

Alcatel, SingTel, Bharti network

French cable network supplier Alcatel October 24 won a US\$250 million contract to build a DWDM (dense wavelength division multiplexing) network to link Singapore with Chennai in India.

The network, launched by SingTel and Bharti Enterprises, will provide a record capacity of 8.4Tbit/s to provide India with data, Internet and e-commerce.

The 3200 km network will comprise eight fiber pairs, equipped with 105 wavelengths at 10Gbit/s. The contract includes full submarine system supply including network design, project management and installation.

The Singapore-Chennai network is the first phase of a US\$650million 50-50 joint venture between SingTel and Bharti, due for completion by the end of next year.

Phase two of the JV will see the network extended to Mumbai, along with the construction of a Mumbai-Chennai link, budgeted at about US\$400 million.

Also in the region, Alcatel is working with Taiwan's Eastern Broadband Telecom (EBT), Thailand's national telco Telephone Organization of Thailand (TOT) and Digital Telecommunications Philippines on network projects.

NSK to launch Indian satellite

Dutch-based New Skies Satellites (NSK) will launch a US\$250 million multimedia satellite to service India's growing TV and Internet market. The satellite, to be built by Lockheed Martin, will be operational by Q4 2001, featuring high-power Ka/Ku band beams and making 200Mb of Internet capacity.

New Skies has leased more than 100Mbps of capacity to Indian ISPs over the past six months, valued at over US\$6 million. Once the new satellite is operational, ISPs and MSOs will be able to offer fully interactive access to broadband Internet and other multimedia applications across India.

Korea broadband growth

South Korea's Ministry of Information and Communication November 1 released national survey details that put the number of households using broadband Internet at three million.

The majority of subscribers (1.47 million) access broadband services via ADSL (asymmetric digital subscriber line), followed by cable-TV network broadband Internet (994,000) and LAN (local area network) Internet (520,000).

The ministry estimated the subscriber households represented more than six million individual users, almost 37.5% of Korea's 16 million Internet users.

UTV launches streaming site

Indian multimedia firm UTV along with cable TV and service provider WIN Cable Internet November 1 launched India's first broadband streaming site www.sharkstream.co.in.

"By getting into the game early in India and globally, sharkstream will be able to establish strategic partnerships with leading broadband service and content providers and help define the category," chairman of Sharkstream and UTV Ronnie Screwvala said.

Virgin Mobile to start small

SingTel Mobile October 9 announced that its joint venture with Britain's Virgin Group October 9 would begin operating from 1Q 2000 in Singapore and later in Hong Kong and Taiwan.

SingTel Mobile's CEO Lucas Chow said the new company, Virgin Mobile, aimed to have a market value of US\$1 billion within 18 months. It only had to get a small market share in each of the three markets to achieve this target, about 500,000 customers in total.

Virgin Mobile originally planned to target South Korea but dropped the idea because of rampant subsidizing of handsets.

SATELLITE

Sky Perfect falls heavily on debut

BY J R BURROUGHS
Tokyo

Asia's leading DTH satellite superpower, Sky Perfect Communications (SPC), made its eagerly awaited debut on the Tokyo Stock Exchange (TSE) last month (October 20).

The Japanese titan plunged 20% from its initial public offering (IPO) price of US\$3,120 to close at US\$2,470, giving SPC around US\$1.5 billion in proceeds, the largest ever IPO on the TSE's "Mothers" market for emerging media and technology companies.

That bit of history was little consolation for company executives, but nevertheless President Hajime Unoki reckons SPC is shaping up to be the high growth vehicle that long-term investors could learn to love. SPC ended October

31 at US\$1,846, down more than 40% from its issue price. The offering was jointly managed by Nomura Securities Ltd and Merrill Lynch.

SPC's US\$4.3 billion market value works out to US\$1,850/subscriber, ahead of regional DTH plays like New Zealand's Sky Network TV (US\$1,590/subscriber) but behind Austar (US\$2,500/sub).

Five key media players with compelling vision and deep pockets own around 45% of SPC: News Corp., Softbank, Fuji TV, Itochu and Sony Corp. Post IPO, their interests remain at 9.89% except Softbank, which October 20 sold 45,000 shares (reducing its stake to 6.1%) and earned around US\$110 million profit from the sale.

SPC is a leading player (2.3 million customers) in a digital DTH market worth more than US\$4.5 billion in subscription revenue. Kagan Asia Media (KAM) projects a 135% upside by 2010 with the market value soaring past US\$10.5 million. And that total only includes basic video services: Sky's revenue stream from pay-per-view (launched in 1999), interactive services (scheduled for Q1 2002), and premium TV (its special and successful

is looking to grab lead advantage in this potential market, which could boast more than 18 million subscribers by 2005, according to KAM estimates. KAM forecasts 7.5 million Sky Perfect customers by that time, a 40% share of the market.

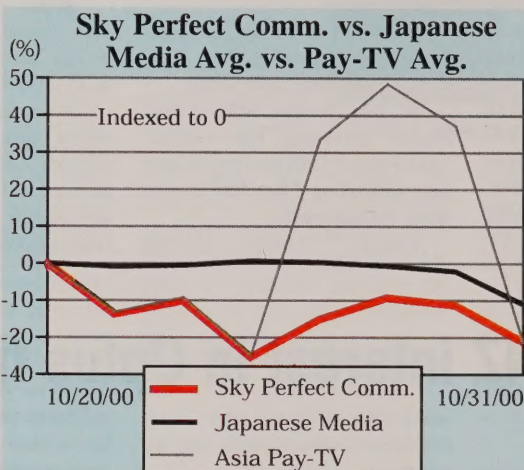
Japan Satellite Broadcasting, operator of the WOWOW BS service, has 2.5 million subscribers to WOWOW's analogue pay-TV service.

Subscribers to WOWOW's pay channel switch to digital in December with transition expected to complete by end 2001. Public broadcaster NHK will begin also to offer a digital DTH service by end 2000.

Sky will also face competition from newly formed ventures. The nation's largest trading house Mitsubishi Corp. September 28 announced a basic agreement with commercial broadcaster Nippon TV Network (NTV), broadcast satellite (BS) player WOWOW,

wireless behemoth NTT DoCoMo and long-distance carrier NTT Communications Corp. to form a joint venture offering CS broadcasting services.

The new company is capitalized at US\$4 million and plans to offer CS digital broadcasting and interactive TV services by 2H 2001. Both NTT DoCoMo and NTT Communications will hold a 25% stake in the company with the other four parties splitting the 50% balance. According to executives at both Nippon TV and Mitsubishi their new company could compete against Sky by securing high grade broadcasting services at a low cost and the rolling out interactive TV services. ●



sports and movie packages) could top income from basic tiers.

Japanese investors, however, remain concerned about SPC's red ink with US\$735 million in cumulative losses.

The company spends an average US\$270/subscriber on acquisition costs, with each customer paying around US\$38/month for Sky's basic package of 32 channels. Unoki is confident, however, on the speed of the payback period and reckons that SPC could become profitable by FY 2001 (the year ending March 31, 2002).

Competition is sure to increase when platform unification – between BS and CS – gains approval later this year. Sky Perfect

JAPAN: DTH PROJECTIONS

DTH (000)	2000	2001	2002	2003	2004	2005
Subs	14,100	14,400	15,000	16,300	18,300	18,800
% Chg.	23.7	2.1	4.2	8.7	12.3	2.7
Avg. DTH Sub Homes	12,750	14,250	14,700	15,650	17,300	18,550
DTH Revenue (US\$ mil.)	4,612.62	5,367.72	5,717.88	6,270.54	7,090.20	7,518.00
% Chg.	6.5	9.7	13.1	6.0	10.8	8.4
Other Satellite/Backyard	620	640	670	700	730	760
Total Satellite HH	14,720	15,040	15,670	17,000	19,030	19,560

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SCIENCE



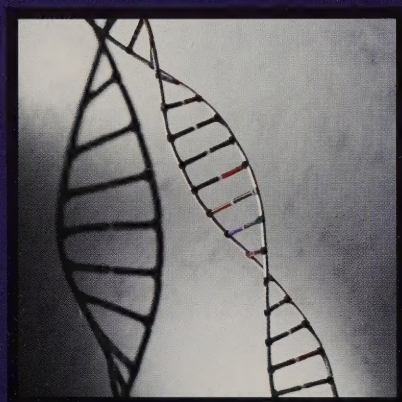
TRAVEL

SPORTS



BUSINESS

TECHNOLOGY



POLITICS

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Performance, Availability, Service and Support



MOTOROLA

More Chinese-language TV

A unit of Singapore Press Holdings Ltd November 1 entered a 50:50 joint venture with Hong Kong-listed Star East Holdings Ltd to produce Chinese-language television programs for Asia.

The media company said its SPH MediaWorks Ltd signed an agreement to take a 50% stake in Fantastic Circle Investments Ltd, a TV production co. wholly-owned by the Hong Kong company, for HK\$150 million (US\$19 million).

Fantastic Circle will be tentatively renamed StarEastWorks Ltd upon completion of the transaction (expected in two weeks' time) and will be headquartered in Hong Kong.

StarEastWorks aims to be a "pan-Asian" Chinese television production house, offering dramas, variety shows, documentaries and telemovies to Asian audiences.

SPH MediaWorks will launch two free-to-air TV channels in Singapore middle of next year. It will also launch radio, broadband Internet and other broadcasting services.

Hinduja to buy ForIndia.com

IndusInd Entertainment Limited (IEL) (controlled by Hinduja Group subsidiary Hinduja Finance) October 20 proposed to buy ForIndia.com, a US-based firm which owns and operates a website for the Indian community in India and abroad.

IEL produces television content and operates a bouquet of popular city-specific cable-TV channels under the 'IN' brand, such as IN Mumbai, IN Delhi and IN Bangalore. Hinduja Group also owns India's No 2 cable MSO, IN Cablenet, which has 4.5 million subs.

ForIndia.com is a horizontal portal offering services such as chat, email, messenger and search engine with 32 vertical channels such as history, horoscopes and cricket coaching. The combination of IEL and ForIndia will engender the convergence of TV and Internet and enhance the quality of their offerings.

INDIA

ZTL results beat expectations

India's leading media conglomerate ZeeTelefilms (ZTL) October 20 reported a strong set of Q2 FY 2001 results that beat market expectations. The results were around 10% ahead of market forecasts and indicate that some of the company's new initiatives are progressing ahead of schedule. On a year to year basis, total revenue increased 27% to R2.1 billion while ad revenue rose 19.5% to R1.4 billion. Operating profit increased 25% to R707 million.

Broadcasting revenues and EBITDA were up 8.5% and 6% on a quarterly basis as cost savings and income from new channels and digitalization more than offset slower growth in ad revenue. The rollout of local pay-TV channels continues ahead of schedule. Over

20,000 decoder boxes have been sold and Zee's bouquet of seven channels now has around 4 million subscribers. The gathering strength of digitalization has however meant that the pay-TV division posted a lower EBITDA loss of R14 million versus R87 million in Q1 FY 2001.

ZTL is also launching a series of programs to rival the growing success of Murdoch's Star TV. A rival game show to Star TV's *Who Wants to be a Millionaire* launched October 23 but market feedback has been poor. ZTL has also increased its ad rates by 25%-30% across the board due to the higher rate levels set by Star TV.

Future momentum could largely depend on subsidiary Siticable's progress and Chandhra is heavily

focused on the tasks ahead including consolidating its ownership of 4,000 plus nationwide cable systems and completing a 26-city HFC cable network. Work on Siticable's HFC network has also begun in New Delhi, Jabalpur and Calcutta. The strategy is to rollout the network in cities where Siticable is the dominant MSO while simultaneously establishing beachheads in more towns.

This is expected to facilitate right-of-way issues as well as ensure customer support for value added services including high-speed Net access and video-on-demand. "It will help us to win over the last mile in balance cities," says Chairman Subhash Chandra, "and allow us to complete coverage of 26 cities." ●

AUSTRALIA

Set-top box shortage could delay digital launch

BY OWEN HUGHES

Sydney

Despite the official optimism of the broadcasters, Australia's attempts to launch digital TV from January 1, 2001, may be delayed because of a shortage of set-top boxes.

Australia's three commercial stations, Seven, Nine and Ten, took out advertisements in national newspapers last month calling for expressions of interest among set-top box manufacturers to supply around 40,000 digital units in time for the January 1 launch.

The boxes are needed to allow analog TV-set owners to pick up digital signals without having to buy new digital sets. The price of a box is likely to be around A\$110 (US\$65), compared to more than A\$5,000 for a digital set compatible with the high-definition TV standard the government mandated at the request of the networks.

It appears that no manufacturer is able or willing to deliver boxes with the right technical specifications before January 1. Some observers suggest that it could take between 12 and 18 months to design, manufacture and deliver a suitable device.

The failure to launch digital TV on time will come as a severe

embarrassment to the government and Communications Minister Richard Alston in particular. Officials gave free spectrum to the networks to carry digital transmissions and extended a freeze on any new networks until 2007. Alston also imposed severe curbs on the types of services that would-be datacasters could offer.

This was in response to the networks' claim they needed to safeguard the A\$500 million they were investing in digital transmissions.

The result has been that potential datacasting players including John Fairfax, News Ltd and Telstra have put their plans on hold, unwilling to offer a service that is not permitted to offer moving pictures and where they will be restricted to a very limited number of genres.

However, Seven and Ten have enthusiastically welcomed the start of digital broadcasts, with both making mention of the launch date when they presented their annual reports in October.

Ten Chairman John Studdy said, "We are investigating the most beneficial use of our datacasting spectrum. We expect the uptake of digital sets to be slow, particularly in the first six months of 2001, and Ten is playing an active role in digital broadcasting in Australia to

formulate strategies to encourage retailer and viewer interest.

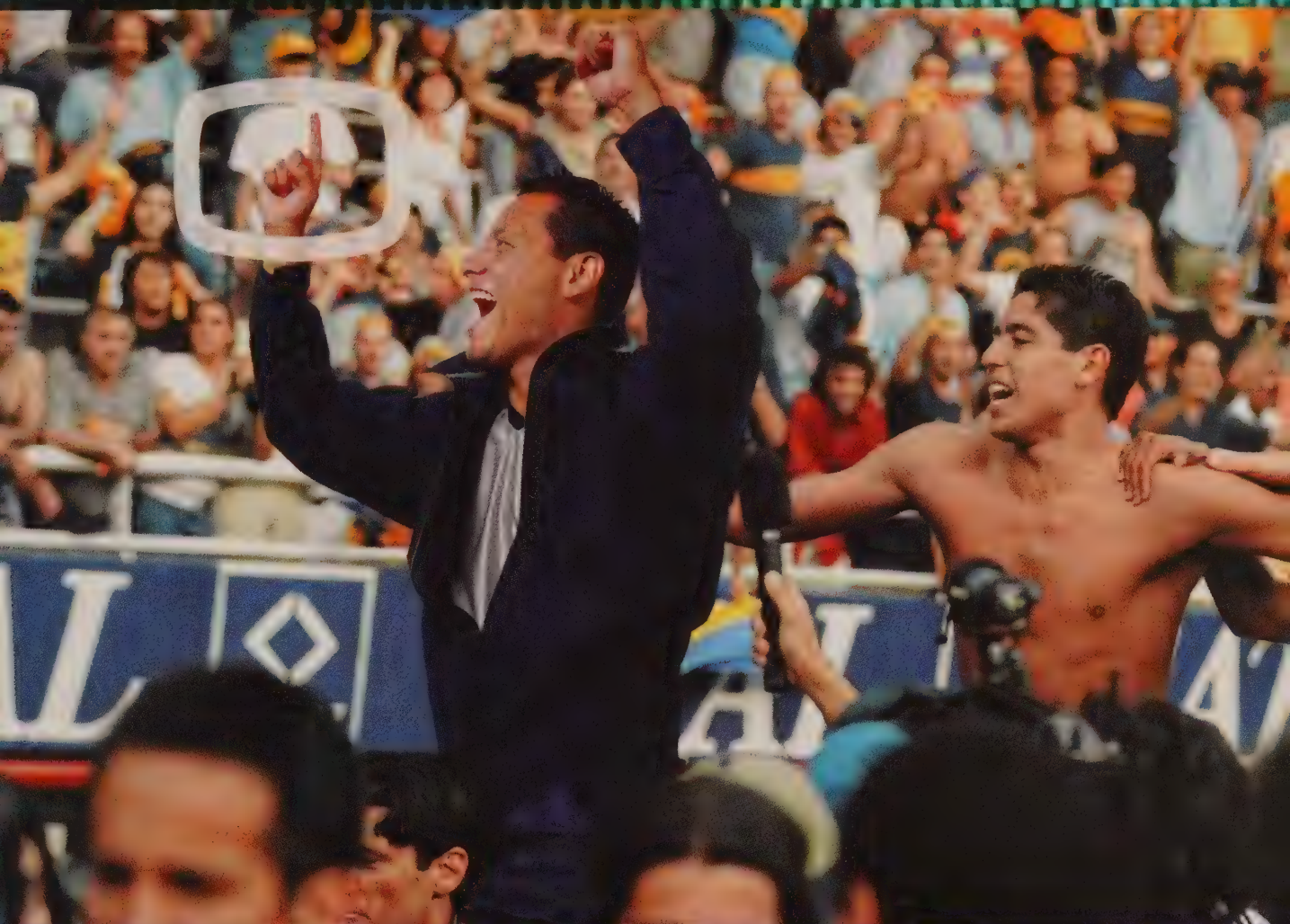
"With this in mind, Ten intends to maximize the amount of high-definition content the network puts to air, and to take advantage of the multiview opportunities presented by key elements of our sports franchise."

For Seven, CEO Kerry Stokes said his channel was "well placed for the introduction of digital TV".

However the general manager of the free-to-air commercial channels lobbying body, the Federation of Australian Commercial TV Stations, Tony Branigan, said the regulatory timetable set by the Australian government was "out of step" with the commercial reality that the set-top boxes were unavailable.

A former head of Seven said that it was only a matter of time before the government was forced to overhaul the digital TV framework it set up earlier this year. Kevin Campbell, who now runs a datacasting company called Data & Commerce, said officials would have an impossible task trying to stem the flow of information resulting from convergent technology.

He added that Australia was in danger of getting out of step with other Asia Pacific markets unless it reexamined the digital TV laws. ●



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HALLMARK
ENTERTAINMENT
NETWORK

celebrate life

SingTel unveils Meg@pop

Singapore Telecom (SingTel) will spend S\$50 million (US\$29 million) over the next five years building a high-speed nationwide data network. The new platform, Meg@pop, was launched November 1.

Meg@pop, believed to be one of the region's first data communications networks, will allow transmission speeds of up to one gigabyte/second.

"What we will put in place is a network-based VPN service that will not just give cost savings but remove the hassles of having to upgrade, maintain and take care of technological obsolescence. Customers can leave it to us, to operate and maintain the equipment and services," said SingTel vice-president for corporate products Lim Eng.

C&W to build Japan network

Britain's Cable & Wireless Plc October 30 announced it would spend Y150 billion (US\$1.4 billion) to build a high-tech fiber-optic network throughout Japan, challenging the dominance of domestic giant NTT.

The network, which will cater to businesses, represents the largest single investment by a British company in the Japanese telecoms industry and will be set up over the next five years.

Chief Executive Graham Wallace said C&W was aiming to take a 5-6% share of the market for business telecoms – around £1 billion (US\$1.44 billion) of turnover, growing from £300 million now. "We expect to be number two there."

The move marks the British firm's first big foray from international services into Japan's domestic telecoms market and puts it head-to-head against entrenched domestic players.

Wallace said there were opportunities in Japan because it was one of the least deregulated telecoms markets. He added that C&W was in a stronger position in Japan than AT&T Corp. and British Telecommunications Plc, which each own 15% stakes in Japan Telecom Co, because it had majority control of its business and a healthy balance sheet.

PROGRAMMING

Tech TV on the prowl

Microsoft cofounder Paul Allen's Tech TV October 23 announced that it would launch its first 24-hour international satellite-delivered channel in Asia in the first quarter of next year. General Manager Tom Grams said the technology-oriented online and on-air network was actively looking for media partnerships to localize its offering.

The Asia launch marks the company's first major network expansion since Paul Allen's Vulcan Ventures bought the formerly named ZDTV from Ziff Davis Inc in January 2000 in a deal valued

at US\$320 million. ZDTV changed its name to Tech TV in August.

With this latest move the TechTV footprint will reach all of Asia, Oceania and the Middle East.

Last month the company established a bridgehead South Korea through domestic IT cable-TV e-channel ech. Ech secured a programming supply contract and began test broadcasts in September with 10 programs (5 hrs/week) dubbed into Korean. Ech will increase its airtime to 20 hrs/week next year.

Tech TV produces and distributes more than 1,300 hours of original programming a year, making it a leading source of technology-related programming. That will grow as the firm secures partners in each new territory.

"We have learned that our success depends on our ability to have this channel localized to the greatest extent possible," Grams said. "The new Tech TV channel will be programmed to serve as either a pass-through channel or as the

foundation for a localized channel in each country."

Tech TV is looking for partners who have production, localization and cable and/or satellite distribution experience, who can contribute local content. Focusing on technology and the Internet and how they affect business and lifestyles, the program supplier offers industry news, product reviews, tech stocks coverage and live technical support.

Interactivity is a feature of the programming. The channel describes itself as "a community destination" where viewers are encouraged to interact with programs through email, live chat and video mail. Internet tours, gaming and on-line business tips are among the fare.

Barely two years old, the San Francisco-based cable network is available in more than 20 million households in its home country. In recent months the number of countries to which content is distributed has jumped from 64 to 70. ●



Tech TV greets Asian viewers.

TELECOMS

SingTel's pan-Asian vision keeps pot boiling

Singapore Telecommunications (SingTel) November 3 announced a partnership with Satyam Infoway Ltd (SIFY), an Indian Internet and e-commerce company, to launch SIFY's first international satellite gateway in Mumbai and Ahmedabad.

Recent changes in Indian law permits telecom companies to operate their own international gateways and SIFY has partnered with various gateways with satellite operators like SingTel.

In recent years SingTel (76% owned by the government and Singapore's largest company – US\$23 billion market capitalization) has concentrated on becoming a pan-Asian communications carrier ahead of all Asian rivals (it is currently the eighth largest Asian telecom company).

Its strategy has been to expand operations through strategic investments and joint ventures and it has invested about S\$5 billion (US\$2.9 billion) in over 80 joint ventures and strategic investments.

Facing the gradual loss of its monopoly as the Singapore government privatizes the company, SingTel looked to the Internet as a ripe business opportunity.

It has a joint venture with Lycos to offer a pan-Asian Internet portal covering Southeast Asia, China, Taiwan, Hong Kong and India. At home it has just announced an investment in a high-speed data network, Meg@pop (see this page).

SingTel CEO Lee Hsien Yang says his company has grown the business by focusing on building regional corporate data, wholesale, mobile, systems integration, Internet and e-commerce businesses. About 10% of the group's pre-tax profit comes from its overseas investments.

Rich with cash, SingTel November 2 was rumored to be in talks with South Korea's state-run Korea Telecom but passed this off saying it was always likely to be in talks with a number of parties at any time as it looked for investment opportunities. It already has stakes in

Philippine, Thai and Indian telcos.

SingTel is among a host of government-related companies the Singapore government is looking to privatize.

Commentators suggest one way for the company to go would be to be taken over by one of the bigger players such as a Vodafone or an MCI WorldCom. ●





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celebrate life

Hitachi in broadcasting move

Hitachi and Fantastic Corp. (a Swiss provider of software solutions for data broadcasting) October 26 announced they would jointly develop a DTH multimedia broadcasting service via satellite in the Asia Pacific.

The companies will cooperate in studying and developing new media services which they plan to make available to consumers in 2H 2001.

Fantastic will license its broadband content distribution and management software to Hitachi to enable the distribution of the content.

Hitachi will provide the hardware and facilities as well as engage in initiatives in the media and entertainment industry to gather and distribute content.

The multimedia broadcasting service aims to deliver all categories of mass-market digital multimedia content to Internet-enabled devices such as personal computers, home appliances and set-top boxes.

Telcos allowed to broadcast

Japan's Ministry of Posts and Telecommunications October 30 said it would allow Type 1 telecommunications firms – those which own telecom lines – to begin cable and satellite broadcasting services as long as they notify the ministry.

As a result, NTT East Corp. and NTT West Corp. could use their fiber-optics network to air programs without obtaining any license.

Conditions for licensing other companies to begin such broadcasting will also be relaxed as long as they are able to produce programming and have sufficient finances. The move reflects the blurring of the boundary between telecommunications and broadcasting due to advances in digital technology.

Legislation will be submitted to the Diet in early 2001 and the ministry hopes the deregulatory measures will take effect from 2H 2001. Under current law NTT is banned from broadcasting. The ministry also intends to lift restrictions on the number of programs each company can air via communications satellite.

BROADBAND

PCCW renegotiates with Telstra

Hong Kong's Pacific Century CyberWorks (PCCW) October 13 announced the renegotiated terms of its deal with Australian telco Telstra.

PCCW will receive US\$570 million less cash than under the previous agreement last reported on August 24, just a week after it completed a US\$28.5 billion takeover of Hong Kong Telecom (HKT).

When the deal closes, PCCW will still have US\$5.5 billion in debt payable in February 2001. This will need to be renegotiated and rolled over but Chairman Richard Li has refused to divulge any details of plans for debt reduction.

The value of HKT's mobile network has been significantly lowered by 24% to US\$2.8 billion. That

for the year (-60%) since it completed its takeover of HKT. Continued downward pressure could result in Telstra ending up with much larger

The JV is also subject to revised terms. Telstra, as previously disclosed, will place US\$625 million of debt into the JV but PCCW will now place US\$1.4 billion of debt instead of the previous US\$1.1 billion.

In effect, Telstra's 50% share of the increased debt amounts to a US\$125 million value shift in favor of PCCW.

This new company will keep around US\$500 million to fund its own capital expenditure plans over the next two years. It hopes to deliver a substantial

reduction in international bandwidth capex and is looking to target growth by offering connectivity of Asian alternate carriers.

There is however no indication yet of who will consolidate the backbone. Meanwhile the cost of refinancing PCCW's remaining US\$5.4 billion debt continues to concern investors and money managers.

Moreover PCCW has yet to release numbers on the expenditure need for its NOW service and consolidating HKT's position in Hong Kong.

For a company that began the year as an Internet baby hungry for aggressive acquisitions and broadband Internet rollout, it looks likely to end the year as a company burdened by the ownership of an embattled telephone company and undermined by the hype over its broadband ambitions. ●



RICHARD LI, PCCW Chairman (center)

stake in PCCW than the original 2.8%.

PCCW's plans for regional broadband connectivity, undermined by the slow progress of its Network of the World (NOW) service, could

IP BACKBONE COMPANY

	Revised	Original
Ownership	Telstra:50% PCCW:50%	Telstra:50% PCCW:50%
Cash Returned For Assets	US\$625 mil.	US\$625 mil.
Cash Takeout	PCCW to take initial US\$700 mil.	PCCW to take initial US\$500 mil.
Additional Payments	Telstra = 50% PCCW = 50%	Telstra = 50% PCCW = 50%
IPO Timeframe	Not stated	Year-end 2000
Board Management	Joint Control. Telstra Appoints Chairman	Joint Control. Telstra Appoints Chairman

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equates to US\$2,947/subscriber versus the original US\$3,894/subscriber that Telstra was initially going to pay for HKT's mobile assets.

Telstra now gets control of HKT, buying 60% for US\$1.7 billion. This is in contrast to the previous arrangement where Telstra was to acquire 40% for US\$1.5 billion.

The size of the convertible bond has been lowered from US\$1.5 billion to US\$750 million. Significantly, the terms of conversion will depend upon PCCW's share price over the 45 days starting from October 31. PCCW finished at HK\$6.00 on August 31, down 67%

gain momentum via an IP backbone joint venture with Telstra, the key component of the transaction.

MOBILE BUSINESS

	Revised Deal	Original Deal
Ownership	Telstra = 60% PCCW = 40%	Telstra = 40% PCCW = 60%
Purchase Price/sub	US\$1.7 bil. US\$3,000	US\$1.5 bil. US\$4,000
Equalisation Rights	Nil	Telstra
Gearing	Nil	Nil
IPO Timeframe	Not stated	Within 12 months
Board and Management	Telstra control and to appoint Chairman	Telstra control and to appoint Chairman

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TANDBERG
Television

Marubeni rolls out telecom unit

Japanese trading house Marubeni Corp. October 16 unveiled a new telecommunications subsidiary, Vectant, run by foreign executives and partnerships with leading overseas software suppliers.

The newspaper said Vectant has alliances with SAP AG of Germany and US companies Siebel Systems and Vastera, and will sell a range of computer, Internet and other services to Japanese corporations in competition with leading telecom and computer companies such as WorldCom and IBM. All are targeting the lucrative market for companies that need expertise and network links for electronic commerce.

Vectant is a conglomeration of several Marubeni computer-related and telecommunications groups.

DoCoMo in talks with AT&T

Japan's top mobile phone carrier NTT DoCoMo Inc. October 31 was reported to be in talks with AT&T about taking a minority stake in AT&T Corp.'s wireless unit, AT&T Wireless Group.

DoCoMo is believed to be considering taking a stake of 10-20% in AT&T Wireless (AWE), which would be worth US\$5 billion to US\$10 billion. However, the price that AT&T is asking is understood to be the biggest obstacle in the talks.

The *Financial Times* reported that the DoCoMo/AT&T talks had been going on for some time. AT&T's plan to divide into four companies and transform its wireless tracking stock into common stock is understood to have made an investment more attractive to DoCoMo.

Meanwhile Chairman Koji Oboshi October 10 said DoCoMo was ready to take an equity stake in Hong Kong-based China Mobile Ltd, if requested.

His remark was made following the recent alliance between China Mobile and the largest UK mobile phone carrier Vodafone AirTouch PLC. Oboshi said he was looking for more than one partner in the China market.

SATELLITE

Tight race for satellite broadcasting in South Korea

BY JEONGHWA YOO
Seoul, South Korea

DACOM Satellite Multimedia System (DSM) and Korea Digital Broadcasting (KDB) are in a tug of war to win one of the hotly contested DTH satellite licenses that are coming up for grabs in South Korea next month.

At stake is major position in a market boasting 15.6 million TV households, and one in which cable TV has 16% penetration.

DSM, a subsidiary of DACOM – one of the leading Internet and telecommunications companies in Korea – has formed a consortium dubbed Korea Satellite Broadcasting (KSB) with News Corp., SK Telecom, On Media-Cheil Jedang and others.

On Media-Cheil Jedang jumped ship and joined the opposing consortium of DSM on October 25.

On Media owns six movie channels including Orion Cinema Network (OCN), HBO and Baduk TV while Cheil Jedang owns four channels – M.Net, Drama-net, CJ 39 shopping and Look TV.

The DSM consortium will offer music, movies, games, news, education and lifestyle programs via 21 channels.

Arch rival KDB is led by Korea Telecom (KT), a state-owned company which has its sights on being a major business player if privatization is completed by 2002.

KDB has joined with major broadcasting companies including Korea Broadcasting System (KBS), Munhwa Broadcasting Corporation (MBC) and Seoul Broadcasting System (SBS).

Also part of the consortium are major newspapers, several chaebols – the country's major conglomerates including Hyundai Corporation and Samsung Electronics – and other program providers.

KT has the largest stake in KDB (20%), while the chaebols have stakes of 1% or less, a limit set by KT.

KT will assume the marketing

and networking roles while the three major broadcasting firms, 12 newspaper companies and 16 program providers will provide programs for satellite broadcasting.

According to a KDB report, it has rejected participation by the chaebols asserting that the KDB consortium is about more than the business of satellite broadcasting.

Its motivation is as much about serving the public interest as creating a viable business.

Until October 19 there was a third bidder, Korea Global Satellite (KGS), owned by Iljin, a leading Korean manufacturer of communication cable and telecommunication equipment.

KGB has now joined KDB but has expressed the same concerns regarding chaebol participation.

It has also endorsed the notion that the priority of satellite broadcasting is the public good ahead of business.

The way forward for the KDB consortium is likely to be buffeted by the conflicting philosophies of chaebol and non-chaebol members.

"KT will be privatized by 2002 which means KT will become a major company. What is the point of chaebol and non-chaebol?"

"There has been shoddy management leading to failure in government-owned companies as they have expanded just as there's been in non-government companies," was the comment by Young-seok Park, DSM's Director of Public Communication.

The government has done its best to make it a clean fight, even suggesting a marriage of the rivals.

The Korea Broadcasting Commission (KBC) urged the three bidders – KT, DSM and Iljin – to form an alliance called 'One Grand Consortium', believing that the combined strengths of all three would result in the ideal candidate.

It would also make a sound business proposition with the merged entity having economies of scale and a strong base from which to compete with cable-TV. KBC gave the parties a month to mediate their differences last May

but the effort was unsuccessful.

From June to August, KBC held four public hearings and let the bidders' satellite broadcasting experts debate the subject.

KBC even conducted compulsory conciliation talks for the three companies; these also came to nothing.

Following the public hearings KBC issued a report, *The Regulatory Framework of Satellite Broadcasting Policy*, in August.

The upshot was KT stood its ground.

As the sole major shareholder, it would take full responsibility for management and the three major broadcasters, KBS, MBC, SBS, would supply the contents and develop the public interest goals of the business.

DSM, on the other hand, supported a five-way arrangement with DSM, KT, News Corp., SK Telecom and Multiple Program Provider (MPP) as equal partners in management of satellite broadcasting.

The participation of the three major broadcasting companies would be limited to 5% each.

"DSM is against participation by government-owned companies and the major broadcasting companies – as hindrances to the burgeoning new media in Korea.

"The four major consortium partners – DSM, SK Telecom, News Corp. and On Media-Cheil Jedang – should each take a 10% stake as the major stockholders of KSB and participate equally in its management," Park said.

In the end, with Iljin Corp. joining KT's KDB consortium, and On Media-Cheil Jedang in DSM's KSB camp, it has come down to a race between KT and DSM for a Korean satellite broadcasting license.

The two bidders had to submit the blueprint of their business models to the Korea Broadcasting Commission by November 18.

KBC will compare the two proposals and select a winner by December when the waiting game will be over. Then the hard work will begin. ●

INTERACTIVE TV

China Broadband launches network

China Broadband Corp. (CBC) October 25 reported the successful launch of its broadband Century Vision Network (CVN) with the introduction of services in Fuzhou City, the capital of Fujian Province.

CBC is utilizing the existing cable infrastructure of its joint venture partner and combining two-way interactive technology and set-top boxes to provide entertainment, personal computing, content and e-commerce services.

CBC plans to systematically upgrade, over a two-year period, the one-way cable system in Fujian Province to a two-way, broadband, interactive network.

Monthly fees and charges will range between US\$19-US\$25.

According to CBC, the Fujian system currently provides cable-TV services to more than 3.2 million subscribers.

Earlier in the month (October 20), the company signed its sixth joint venture agreement with a provincial broadcasting bureau in China.

The 24-year agreement is with Yunnan Broadcasting & Television Information Network Group. CBC has also targeted Wuxi City in

Jiangsu Province as the second geographic region in China for broadband service, with a launch expected by Q1 2001.

CBC is eager to acquire a major position in China's nascent broadband market via subsidiary CVN.

According to the State Administration for Radio, Film and Television (SARFT) cable

benefit from its existing broadband capabilities and unique "last mile" connections.

The joint ventures will upgrade the existing cable systems to two-way interactive, and market broadband cable to their combined 16 million cable subscribers largest market.

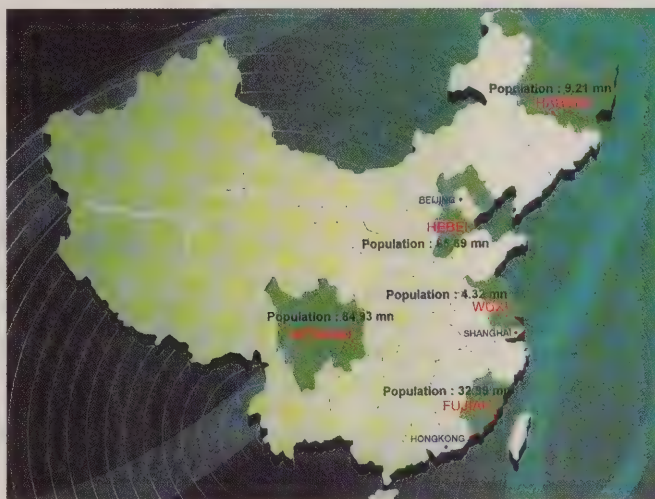
Because of China's 90% penetration rate for household TVs, the

company intends to connect its national network to subscribers using its own third generation set-top box technology.

CVN plans to utilize set-top boxes containing technology from US-based Nortel and nCube to offer interactive TV services including video-on-

demand.

In addition to customers having access to broadband content, communications and e-commerce, this proprietary technology provides TV sets with personal computing functionality. And it presents a lower cost method of satisfying the natural demands within a country with penetration rates for PCs and Internet usage of 4% and 1% respectively. ●



POPULATION DATA for CBC's joint ventures

passes 90% of China's 1.25 billion population. Kagan Asia Media (KAM) estimates 90 million cable-TV subscribers on the mainland by end 2000.

To date CVN has six joint ventures with provincial and local cable broadcasting bureaus, five of which are subsidiaries of SARFT.

The management's strategy is to build CVN using SARFT's national fiber-optic network, and

India considers convergence bill

The Indian government October 20 announced that it plans to introduce a much anticipated convergence bill for the new communication order in the winter session of Parliament.

The proposed bill for converging communication, information technology and broadcasting media would establish a super regulator.

It will be finalized within a month, Information and Broadcasting Minister Sushma Swaraj said.

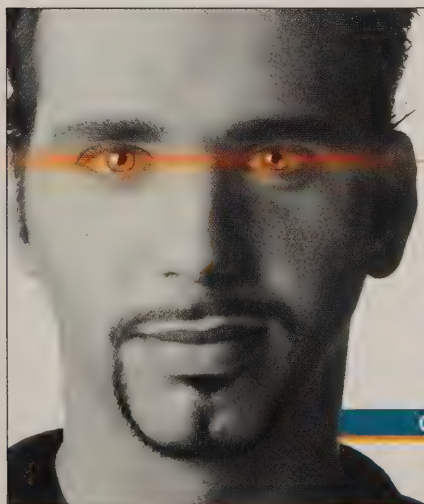
Meanwhile, the Nariman report, recommending creation of a super-regulator for voice and data communication through any medium (telecom or broadcasting), will be finalized by mid-November for consideration of the Cabinet.

CNN's website leads Asia

CNN October 18 reported that new research from Asian Target Markets (ATMS) 2000 show CNN.com as the leading regional media website in Asia.

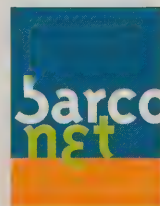
In another milestone CNN.com's Chat and Message boards set a record on October 12 with a combined 506,095 page impressions, a 145% increase over the previous top day.

October 5 was the day when protesters stormed the Yugoslavian Parliament building in Belgrade.



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CONNECTING WORLDS TRANSMITTING IDEAS



Advertising boon for HK Sun TV

Hong Kong satellite-TV operator Sun Television Cybernetworks Holdings on October 18 reported it had received about US\$22 million worth of advertising contracts in the two months since its satellite service was launched.

The contracts in hand should allow the company to book HK\$16 million (US\$2 million) revenues in the FY ended March 2001, and HK\$160 million (US\$20 million) in 2002, which would allow Sun Television to break even in mid-2001, Vice Chairman Michael Spiessbach told Reuters recently.

Sun Television charges 50% less than its competitor Phoenix Satellite Television for advertising. Dresdner Kleinwort Benson estimated in a research report that production costs for Sun Television were four times lower than those of broadcasters focusing on news, drama and general entertainment.

Sun Television has just one channel broadcasting history and biographical programs. "That's why we are so confident the company can break even in so short a time while Phoenix took six years to achieve profitability," Spiessbach said.

Sun Television expects to announce agreements with provincial cable network operators in China within the next six weeks to broadcast its programs via their cable networks.

Sky extends bundling in NZ

New Zealand's premier pay-TV operator Sky Network Television on October 12 announced an extension of a resale deal with Telecom NZ. Customers can now sign up for a digital pay-TV service, residential phone line, mobile phone and Internet access for US\$39.50/month.

The trial service had 2,500 subscribers in June. The extension could increase that to 4,000 by end 2000 and up to 10,000 by the end of trial in May next year. The deal is not exclusive as Sky also has a resale agreement with Telstra Saturn, a local cableco.

AUSTRALIA

Seven eager for Foxtel distribution

BY OWEN HUGHES
Sydney

The Seven Network has moved a step closer to breaking into the broadband cable network that carries Australia's largest pay-TV provider Foxtel, after the latest court battle between the two sides.

The Full Bench of the Federal Court ruled in October against Foxtel's claim that it had a protected contractual right to a guaranteed number of channels on the broadband cable.

The longer-term ramifications of the ruling concern the hotly contested transition to digital TV that is set to start officially on January 1. Accessing the broadband network will allow Seven, and other digital-TV hopefuls, to save considerable time and money as they roll out their services, plus it will pose a direct competitive threat to current pay-TV players including Foxtel.

The ruling was the latest round in a legal fight that began in November 1999, and looks set to continue into 2001 after Foxtel sought leave to appeal to Australia's High Court. The company is seeking clarification on whether its set top boxes should be made available to other operators, including Seven,

and if other media companies are allowed access to Foxtel's analogue cable network.

The opposing sides struck what now appears to be a temporary accord in July when Foxtel's CEO Jim Blomfield finalized arrangements to offer Seven's two C7-dedicated Olympic channels to 635,000 Foxtel subscribers across Australia for the duration of the Sydney 2000 Olympic Games.

After the latest court ruling Blomfield made his company's position clear when he said, "The umpire has not, and never will oblige Foxtel to distribute C7. Let's deal with fact and not fantasy – Telstra owns the cable not Foxtel."

Telstra is Australia's largest telecommunications provider; it owns 50% of Foxtel, along with News Corp. and Publishing & Broadcasting that each have 25% of the pay-TV provider. One of Seven's legal arguments, however, is that the network was built using public money when Telstra was completely state-owned; Australia's government now owns a fraction more than half of the company.

In a statement issued after the latest legal ruling, Seven commented that it was "hopeful" that both Foxtel and Telstra would finally

agree to carry the Seven channel. C7 has the rights to carry the popular Australian rules football code for Australian Football League's (AFL) new season of fixtures that starts in January 2001, as well as other sports programming. The statement added that Seven hoped there would be no more legal appeals. That seems unlikely, given Blomfield's comments, and the understanding by both sides that the playing field extends much further than C7's ambitions. Seven Network executive chairman Kerry Stokes, speaking at the release of the company's annual report last month, said his company "is well placed for the forthcoming introduction of digital television and other new communications technologies".

Stokes said Seven's subscription television business C7 planned to broadcast the AFL and other major sports on Telstra's multimedia cable, building on the success of its exclusive Olympic Games coverage in Australia, where it was also the host broadcaster for worldwide coverage of the event. "Longer term, we are planning a portfolio of new channels for subscription television, available on all delivery platforms." ●

PHILIPPINES

Benpres moves on convergence

Philippine media conglomerate Benpres Holdings October 13 launched an integrated information and entertainment offering that combines the broadband cable and telephone services of BayanTel, SkyCable, Sky Internet and ZPDee.

Marketed under the brand name "Fusion", the bundled service is a major part of the convergence strategy of its Integrated Broadband Services (IBS) Group.

Earlier this year Benpres Holdings Corporation functionally converged BayanTel and Sky Vision Corp. as part of the plan to unify the conglomerate's telecom, cable television and Internet businesses. Both companies are now part of IBS.

According to Chairman Oscar Lopez, "Fusion capitalizes on

Benpres's ability to deliver services to meet the information, entertainment and telecommunication needs of Filipinos."

Sky Internet is an Internet service provider via dial-up service, 50% owned by Sky Vision and 50% owned by BayanTel. ZPDee is an Internet-via-cable service offered by Sky Vision through wholly-owned subsidiary Central CATV, Inc and commands more than 20,000 subscribers.

BayanTel, with a line capacity of 450,000, is one of the leading telecommunications operators in the Philippines providing a full range of voice and data services.

It operates in the areas of Quezon City, Malabon and Valenzuela, Manila, Kalookan City, Navotas, Bicol, Agusan, Davao, General Santos, plus 11 other new

provincial areas in the Visayas and Mindanao. BayanTel is 67% owned by Benpres and 19% held by strategic partner Bell Atlantic.

Sky Vision provides cable television services in Metro Manila using the trade name Sky Cable, and in other parts of the country such as Cebu, Iloilo, Baguio, General Santos, Tagum, Naga, Cavite, Ilocos Region, Pangasinan and Bulacan through its various cable operator subsidiaries.

Sky has more than 350,000 cable customers, and remains the leading MSO in the country with a 38% share of the nationwide market and 45% of the premium Metro Manila franchise. Its existing network passes almost one million homes and the company is looking to complete network upgrade to 860 MHz by 2001. ●



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CONNECTING WORLDS TRANSMITTING IDEAS

Google adopts Asian languages

In yet another sign of growing interest in reaching Asian Internet users, California-based search engine Google October 18 reported adding Chinese, Korean and Japanese language-search capabilities to its international offerings.

Google's first new partner in Asia is Chinese portal Netease.com. Yahoo! China (whose parent company previously forged a worldwide agreement with Google) which also uses the search tools.

Google President Sergey Brin said, "There's no way to build a successful international company without doing this."

According to the Internet Council's *State of the Internet Report 2000*, non-English speakers account for nearly half of the Internet users worldwide. The number is expected to grow to more than 1 billion users by 2005. Chinese, Japanese and Korean users account for 5.2%, 7.2% and 3.6%, respectively, of all Internet users.

RESEARCH

Economic recovery fuels ad spend growth

Data released October 16 by research company ACNielsen show strong growth in Asia-Pacific advertising expenditure for 1H 2000.

Combined, the 11 Asia Pacific markets (excluding Japan and India) earned close to US\$12 billion. With the exception of New Zealand, each market returned double-digit growth, peaking at 44% in China and at 46% in Indonesia.

This year, most Asian economies are performing better than expected. Many economists, however, predict spending in the region will slow next year because of sluggish exports and rising oil prices.

And, most of the Web companies that spent so heavily on television, newspapers and billboards have been forced to close their checkbooks following the plunge in technology stocks earlier in the year, prompting investors to insist the companies control their spending.

China's US\$4 billion market continues to lead the region outside

Japan, with South Korea a distant second with US\$2.7 billion, a 35% growth on 1H 99. Healthcare products provided much of the impetus in China with TV advertising continuing to gain majority market share, a positive sign for China-focused broadcasters like News Corporation's 38%-owned Phoenix Satellite TV and Robert Chua's CETV.

In the first half of this year, TV attracted US\$3 billion in advertising in China, representing a 73% share of the overall ad market, making it the biggest medium in Asia, three times greater than either South Korea or Australia.

Indonesia's 46% growth to US\$360 million comes as a revelation. Despite the political instability in the country, the consumer economy has picked up with the launch of new brands hoping to capitalize on improving consumption after the economic meltdown of the past two years.

Thailand became the biggest advertising market in Southeast Asia this year, outpacing the Philippines, with an estimated 27% increase in spending to US\$723 million.

In the Philippines, troubled by a Muslim insurgency in the southern tip of the archipelago, spending rose only 17% to US\$634 million. Tiny New Zealand was the only country where spending didn't grow at a double-digit rate. It rose 9% to US\$383 million.

AD SPENDING IN ASIA PACIFIC (US\$MIL.)

	1H 00	1H 99	YoY%
China	3978	2763	44
South Korea	2672	1979	35
Australia	1775	1543	15
Hong Kong	1646	1372	20
Thailand	723	569	27
Philippines	634	542	17
Singapore	414	323	28
New Zealand	383	351	9
Indonesia	361	247	46
Malaysia	357	277	29
Vietnam	47	34	38

Source: ACNielsen Media International

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MEDIA FINANCE

Bollywood player tries out for public role

BY ANIL WANVARI

Mumbai

Indian media companies are finally pursuing public market ambitions as closely held private businesses seek to become value-driven public enterprises.

One of these players, Bollywood entertainment company B4U Multimedia International Ltd, has appointed I-Sec Securities and J M Morgan Stanley as its advisers and merchant bankers to help it raise funds – either through a private placement or through an IPO. “We expect the IPO to be upwards of R2 billion (US\$45.3 million), if we take that route,” says Chief Executive Ravi Gupta, a former head of the National Film Development Council.

B4U launched its music channel, B4U Music, in a crowded marketplace in the UK last year. The new channel rocketed when sold as a package with Sony Entertainment’s service in the UK.

B4U followed up with the launch of the same channel in India in the middle of this year and again faced a packed marketplace, with ETC, Zee Music, MTV and Channel V competing for audiences and advertising.

So two months ago when B4U launched B4U Entertainment (an entertainment television channel instead of a movie channel), it declared it was a group to be watched, not a minority player. It has partnerships with two foreign channels – MCM and Fashion TV – which it markets and distributes through Modi Entertainment in India. And it is launching a southern language channel in partnership with CEE (I) TV Entertainment Ltd for overseas Indians. Another three to four channels are also to be rolled out in the next year.

An investment of more than R700 million has already been ploughed into the two channels. Gupta says B4U expects to turnover of upwards R400 million in the first

year. It already has close to 170,000 subscribers to its music channels in the UK, the US, and west Asia (on Arabsat, nilesat and evision).

“Our goal is to push Bollywood worldwide,” he says. “And be a leader in the entertainment and media business.”

The group is well-equipped to do that: it is backed by four feisty businessmen of Indian origin – Lakshmi Nivas Mittal, Gokul Binani, Bharat Shah and Kishore Lulla – with deep pockets and a tight grip on Bollywood content. Lulla is one of the biggest overseas distributors of Hindi movies, and Shah is one of the biggest producers in Bollywood; Mittal and Binani each run a metals empire.

To further tighten its grip on Bollywood, the company is planning to invest more than R1.5 billion to produce 10-15 films annually. The inhouse produced movies will help it keep a tight rein on costs as movie rights have been climbing recently. ●

Marconi to boost Malaysia bandwidth

British telecommunications equipment maker Marconi plc November 1 announced a US\$10 million contract to boost the bandwidth capacity of state-owned phone company Telekom Malaysia’s nationwide fiber-optic network.

Marconi Malaysia Sdn Bhd Managing Director Giacomo Licata said the new contract was to install two new networks of its dense wave division multiplexing (DWDM) technology running the length of the Malaysian peninsula and would be completed by year end. Telekom Malaysia is Marconi’s first Asian customer of the new DWDM technology – it will boost the bandwidth capacity of Telekom Malaysia’s fiber-optic network by eight times to meet its growing Internet traffic.

The DWDM technology multiplies the carrying capacity of each optic-fiber strand by splitting light into dozens of separate wavelengths. Each wavelength can carry digital data at very high rates.



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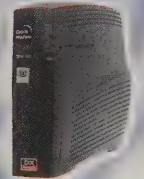
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StarHub boosts mobile network

Singapore's newest telecom operator StarHub October 17 announced it was investing an additional S\$100 million (US\$58 million) in its mobile network over the next five months.

Launched in April 2000, StarHub's aim is to enhance the network coverage to handle up to 30,000 mobile customers by March 31, 2001. It will make further investments to extend capacity on its current wireless access protocol, or WAP, platform to cater to 50,000 StarHub iPower subscribers by the same time.

China publishes telco regulations

China published regulations October 10 that codify a long-promised opening of its telecommunications sector, including a provision to allow foreign investment in its burgeoning but politically sensitive Internet sector.

The State Council directive was published in the Communist Party's flagship newspaper, *People's Daily*.

It sets out for the first time which businesses are defined as "value-added" telecom services. They include Internet services and content, email and databases, as well as the reselling of basic telecom services to third parties. The rules also state clearly that domestic private investment will be allowed in this sector.

Under the trade deal China signed with the US last November as part of the country's bid to join the WTO, China had pledged to open the value-added sector up to as much as 50% foreign ownership.

The regulations still leave unresolved key issues, among them detailed guidelines for foreign investment in the telecom sector.

These will come in a separate regulation governing foreign investment in telecom enterprises, which is expected to be passed before the country formally enters the WTO.

INDIA

RPG finalizes broadband plans

BY ANIL WANVARI

Mumbai

Cable-TV MSO RPG Netcom October 10 announced that it had got past major stumbling blocks to launch a broadband Internet service by the end of November this year. But it is a venture that has been in gestation for almost a year.

Last year Netcom confirmed it was setting up a 50:50 joint venture with Internet service provider Satyam Infoway (which has close to 150,000 Internet subscribers) in Calcutta to offer broadband Internet access to the city's denizens. Under the aegis of Satyam RPG.com Ltd (with a paid-up capital of R200 million – US\$4.53 million), the project expected to launch in Q1 2000. The date was later pushed back to Q2 and finally to Q4. Problems arose because the two partners could not come to a conclusion over the business plan and the revenue model for the venture. It also had to draw up a convincing revenue sharing arrangement with its downstream cable-TV operators. Additionally, the company said it was upgrading its cable-TV infrastructure.

The project could still take longer than November, RPG Netcom Chief Probir Bose disclosed – probably a couple of months.

The MSO, which has been valued at R2,600 million (US\$59 million) by PricewaterhouseCoopers, provides a 60-plus channel package to its 300,000 subscribers. It has a Barco headend and operates on a

hybrid fiber-optic and coaxial cable trunk covering 800 sq km. Optical fiber has been strung overhead across nearly 100 km (approximately 60 miles), along with more than 450 km (approximately 280 miles) of coaxial cable on a star-bus architecture.

RPG Netcom has put in place 34 optic nodes at strategic locations and is currently putting together the infrastructure for offering Internet access including CMTs. The company has gone for a Cisco/3Com Internet system for its headend, based on the Docsis 1.11 standard. It is looking to tie up its international bandwidth requirements with VSNL, until Satyam gets its international gateway operational. The company has committed to offering Internet access to both the consumer and corporate segments at speeds of 2 Mbps to 5 Mbps.

A Bengal interest portal to provide local content and commerce is being created providing high-quality information, educational content and the ability to enable local e-commerce at both business-to-business (B2B) and business-to-consumer (B2C) levels. For content it has also tied up with the R Basu-promoted Tara group to develop a city-centric cable-TV channel.

The Satyam RPG.com service will be running headlong into competition with local free ISP, Caltiger. The only difference is RPG Netcom's offering is being targeted at TV users and will require set-top boxes, whereas Caltiger is posi-

tioned as a service that works with plain old telephone services (Pots) and computers that can be heavy on the wallet due to telephone call charges. Caltiger has also been going through a crunching time with the poor sentiment as far as the Internet is concerned.

A greater threat could come from the Reliance group which is setting up a nationwide broadband backbone of about one terabit at a cost of R5 billion (US\$113 million). Reliance is threatening to enter the Calcutta market as part of its national rollout in partnership with Titagrah Industries in order to set up its broadband network there. And it has been in talks with cable operations affiliated with Siticable (an RPG cable-TV rival) to come under its fold.

Satyam-RPG.com expects to capture 10% of the current 120,000 subscribers served by RPG Netcom in year one.

According to cable-TV industry consultant Dinyar Contractor, the crucial element for Satyam RPG.com's success will lie in its being able to keep its subscription charges in the R1,000 (US\$23) range. "Studies have shown that is all the market is willing to bear," he reveals. "It's going to be a struggle for any MSO to keep that down because bandwidth cost within India from VSNL is still too high. Additionally, it will be very difficult for anyone to maintain service quality because VSNL's bandwidth delivery is pretty inconsistent." ●

PROGRAMMING

Country music takes on worldly flavor

From November 1 Nashville-based Gaylord Cable Networks' Country Music Television (CMT) stepped to a new beat, moving away from traditional country music.

The rebranding goes well beyond a name change – now MusicCountry – to a change of music mix to include rock, blues, roots and folk music programming. For the first time presenters have been brought in to provide personality to the various new segments, which include an "alternative country" segment and a world music show that showcases salsa, Irish, Cajun, zydeco and other styles.

To coincide with the new programming and to encourage interactivity, a website has been established at www.musiccountry.tv. It provides programming schedules, merchandise, and feedback and request opportunities.

Managing Director CMT Australia/Pacific Rim Gill Robert who is based in Sydney says the main change is in recognizing the need for a music channel that's programmed for an audience beyond the niche country format.

The channel is carried on all three Australian pay-TV providers,

Foxtel, Optus Vision and Austar, and is seen in other Pacific Rim countries such as Japan, South Korea, Taiwan and the Philippines by a total of 1.7 million subscribers.

Gaylord Cable Networks is a division of Gaylord Entertainment Group listed on the New York Stock Exchange. ●

A music cabler changes its tunes and picks a new look.



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CNN pushes the convergence envelope

In the comfort of its new home and with the lure of economies of scale, is CNN likely to risk compromising Time Warner's world-beating reporting breadth? LESLEY BOADEN reports

Convergence is a driving force for change at Time Warner's Cable News Network (CNN). CNN, which falls under the Turner Broadcasting umbrella, has been realigning its business along functional lines in preference to geography.

In broadcasting terms, CNN long ago acquired a critical mass in the region, ramping up distribution to more than 26 million homes. But now, following the AOL-Time Warner merger, it wants to emerge as frontrunner in the race to capture eyeballs via Web-based entertainment and new delivery platforms.

The television and online news businesses have been melded in the US under Jim Walton and internationally under Chris Cramer. As President of CNN International Networks Cramer heads a new international division of 18 CNN television and online services including those in Asia.

Steve Marcopoto, President and Managing Director of Turner Broadcasting System, Asia Pacific, describes the future as "driven by The Three Cs – content, context and convergence". The different platforms available range from terrestrial and multi-channel TV, to high-traffic websites, to micro banners on i-mode Internet access (Japan's NTT DoCoMo) – and everything in between.

Japan's move towards digital satellite broadcasting this year (right now only Sky Perfect Communications offers digital DTH broadcasts) clearly raises a compelling content-based prospect for Marcopoto.

"The new CS 110 satellite, where license applicants must demonstrate how they will integrate digital content into their network broadcasts, is an intriguing leading edge," says Marcopoto.

And Marcopoto reckons convergence is impacting simultaneously on consumers, through converging technologies, and on advertisers through media packag-

ing (brought about by mergers, alliances and partnerships).

"The future will see more targeted advertising – not only because of the localization of channels and programs, but also because of the personalization of reception devices. Watch for this to evolve in the more distant future, to channels mining consumer data off new platforms and serving separate ads for the individual both on the net and on TV," Marcopoto adds.

Consumers can get their CNN via satellite on their televisions; through CNN.com on their PCs; and through their mobile phones – in Asia, so far only through Japanese telecommunications and Internet giant NTT DoCoMo's i-mode in Japan.

PLATFORM INTEGRATION.

Behind the scenes CNN is dabbling in another side to this "convergence" – the integration of Time Warner news services. Time Warner's multiple businesses in Asia recently completed co-location at Oxford House in Hong Kong's Quarry Bay.

It is the first time so many Time Warner operations have been together in the one building, "living and working together as a community of media people" as Bill Baggett, CNN's Vice President and Managing Editor Asia Pacific puts it.

Baggett is excited about the idea, and especially excited about reducing duplication of effort and expense. Why should 20 journalists be working on the one news story, he asks, when one could be feeding information into all the news outlets, be it Time or Fortune magazines, CNN or the interactive news service on the web.

He sees such a scenario as a practical approach to news gathering and sound business sense. And, such multiple use of brands has two virtues: it brings in new revenue streams and strengthens brand recognition.

Time Warner has occupied 10

floors in the new 40-storey Oxford House. These have been wired so that CNN has instant and technically trouble-free access to, say, a Time journalist for comment on a topic.

Whether consumers used to the media giant's various "platforms" providing a range of independent comment on an issue, will appreciate their news being gathered and analyzed by one hard-working journalist remains to be seen.

LOCALIZATION.

The other forces driving the future of the media are content and context. In response CNN has embraced localization, launching CNN International in the Asia Pacific in 1989.

CNN likes to think of itself as an international news channel that happens to be based in the United States.

For Baggett localization means two things: regionalization where relevant content is created to suit regions; and vernacular channels and websites where the local language is used.

Since 1989 CNN has opened eight bureaus in Asia – Bangkok, Beijing, Hong Kong, Islamabad, Jakarta, New Delhi, Seoul and Tokyo. In 1995 it inaugurated a Hong Kong production center, allowing the network to originate live programming from Asia for the first time.

With the addition of the half-hour show *eBiz Asia* last month, CNN now broadcasts seven programs and more than 31 hours of local content from its Hong Kong studios. That's it for the time being – Baggett feels 31 hours is about right.



Bill Baggett, Vice President, Managing Editor Asia Pacific, CNN International

"What the global-local mix will be is an editorial question we are continually asking ourselves. Our aim is to present a global news channel with a regional perspective. It works both ways. China and the WTO will be a big story here and we will cover the hell out of it. We will be supplying some of that coverage to CNN in Europe and elsewhere."

Baggett says advertisers have been responding well to the regionalized product. "There's been a 40% increase in advertising revenue from 1997 to date."

What about the audiences? Well, viewers still grumble at CNN's inability to cover local concerns. Regional audiences often remain bewildered by CNN's perceived over emphasis on Americana with the four-day coverage of the Elian Gonzalez Affair serving as a prime example. Broadcast rivals reckon they can plug the gap – most notably, Singapore-based Channel News Asia, which is now available to five million homes in Asia, capturing "what Asia thinks and feels"

according to its programming executives.

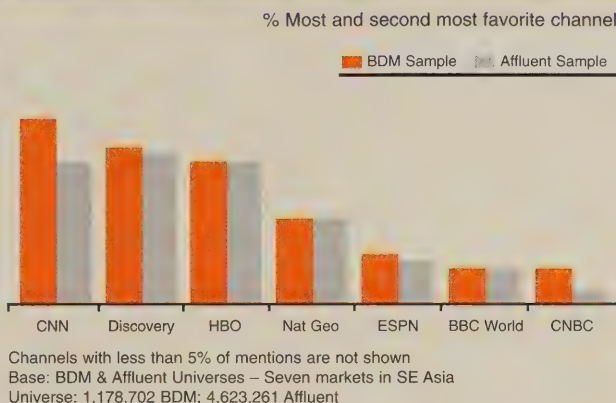
INTERACTIVE. CNN in Hong Kong has been boosting staff numbers with "interactive journalists" to create an Asian news bureau for its online news service. In Hong Kong CNN's television reporters and CNN interactive journalists work side by side sharing a newsroom.

Bruce Dover, Managing Editor CNN Interactive Asia Pacific, is at pains to point out that the online news service is not a duplicate of the television news.

The news will be written and presented specifically for the medium and it's got to be "much more compelling" than simply a rehash of the television, says Dover. "We are thinking of new ways to tell stories, mixing in audio and dissolving stills, and considering how people will interact with the story. We've got to enthrall people."

"People will go to the website for more depth of coverage, including related links. Most people will access the site from work and we plan to pump into palm pilots, mobiles and the bottom of screens."

VIEWING PREFERENCE OF BUSINESS DECISIONMAKERS



Source: AMI - Pan Asian Cross Media Survey 2000

Dover says he's about 50% through the work of setting up Asia's first interactive news service. "There are still lots of technical issues - we have no model to follow - but we plan to go live in January."

As for vernacular news mediums, the only local Asian-language outlet is a website in Japan, an AOL-NTT DoCoMo joint venture. In July 2000 it entered an agreement with NTT DoCoMo (which

expects to have 17 million web subscribers by year-end) to provide content on DoCoMo's i-mode service. The service is in both Japanese and English and a fee of US\$3 a month is charged.

In a deal made in May 2000 with Taiwan's leading broadband company, cable-based GigaMedia (owned by local conglomerate the Koo's Group [61%] and Microsoft [8%]), CNN is providing headlines and stories in Mandarin on

GigaMedia's online news channel.

BETTER THAN SEX. When the AOL merger with Time Warner was first announced (January 2000), CNN founder Ted Turner said it was the most exciting thing that had happened to him since he first had sex.

Since that time, there have been concerns about clashing corporate cultures between the two media giants. Some reckon that the speed at which AOL is used to change is unknown at Time Warner. CNN in Asia is however changing rapidly to become the kind of network that Turner and Gerry Levin wanted when Turner Broadcasting Systems merged with Time Warner in 1995.

Their vision was a legacy of the Steve Ross (Warner Communications) era that still shapes so much of media development in the world today. Like all great propositions, it's utterly simple: different media platforms should be brought together within one company so that the same piece of content could be used in different ways, and the different products could promote each other. ●

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- ☐ C Programming (Program Manager, Director, Staff)
- ☐ D Technical/Engineering
- ☐ E Sales (Account Manager, Account Executive, Ad Sales Manager, Media Buyer, Media Planner)
- ☐ F Marketing (Marketing Director, Manager)
- ☐ G Others:

Which of the following best describes your firm's primary activities? (Please ☒ one only)

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- ☐ 02 Cable Operator (2 or more Cable-TV Systems)
- ☐ 03 Program Network - Satellite Delivered
- ☐ 04 Cable-TV Equipment Distributor/Supplier
- ☐ 05 Cable-TV Equipment Manufacturer
- ☐ 06 Cable-TV Contractor
- ☐ 07 Satellite Operator
- ☐ 08 Satellite Equipment Distributor/Supplier
- ☐ 09 Satellite Equipment Manufacturer

- ☐ 10 Satellite Contractor
- ☐ 11 Telecoms Service Provider
- ☐ 12 Telecoms Equipment Manufacturer/Distributor
- ☐ 13 Broadcast TV Network
- ☐ 14 Satellite/DBS Operator or Distributor
- ☐ 15 Wireless Cable Operations
- ☐ 16 Other Media Company (includes Online, Print, New Media)
- ☐ 17 Computer Company (hardware/software)
- ☐ 18 Program Producer, Distributor or Syndicator
- ☐ 19 Marketing
- ☐ 20 Advertising Agency
- ☐ 21 Public Relations Firm
- ☐ 22 Market & Audience Research Firm
- ☐ 23 Cable-TV/Satellite Investors, Financial Institutions, Brokers or Consultant
- ☐ 24 Government Agencies or Law Firm
- ☐ 25 Others:

Please describe your primary function within the decisionmaking process of your company.

(Please ☒ one or more)

- ☐ 26 Approve
- ☐ 27 Recommend
- ☐ 28 Specify
- ☐ 29 Request

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Surfing Asia's online universe

The global Internet sector contracted in record time this year but Asia's operating environment – Internet users, e-commerce and online advertising – is just beginning to gather momentum, providing impetus to the ambitions of badly hit Internet plays in the public market.

VIVEK COUTO reports

When a new medium enters the communications universe, it gradually works its way into the imagination of the public, the business plans of executives and the economy. It basically begins to transform both the operating (market growth) and public (market stocks) environment.

There has never been anything gradual about the Internet. Over 500 Web-related companies have gone public since 1996 and created, at the peak, over US\$1 trillion in equity capitalization. An entire new way of working, shopping, communicating and being entertained was invented and adopted in less than a decade.

The contraction of the Internet universe has also happened at breakneck speed.

April 2000 may go down as the time almost every Internet investor knew would come but hoped never would, as a global meltdown led to a bloodbath of losses among Web-related stocks. Since peaking in March, the average Web stock has lost 50%-60% of its value and many have dropped 80%-90%.

THE DAMAGE DONE. Kagan's Asia Internet Average, tracking price movements since December last year, makes its debut in this issue. It paints a bleak picture for regional Internet players, which each could correct by acting as a consolidator in the growth play Kagan Asia Media (KAM) forecasts for the regional sector.

The average is down 93% for the year and more than 36% for the month with broadband Internet contenders (Pacific Century CyberWorks, Korea Thrunet, Gigamedia) down 60%-90% and portal aggregators such as Rediff.com (India), Sina.com (China), Daum Communications

ASIA PACIFIC SUMMARY						
	2000	2001	2002	2003	2004	2005
Population (000)	2,922,575	2,956,900	2,990,340	3,023,020	3,054,830	3,085,190
% Chg.		1.2	1.1	1.1	1.1	1.0
PC Users (000)	92,742	115,121	141,210	168,194	234,175	320,376
% Chg.		24.1	22.7	19.1	39.2	36.8
PC Users as % of Pop.		3.89	4.72	5.56	7.67	10.38
Internet Users (mil.)	79.4	98.3	118.1	140.3	166.6	199.9
% Chg.		23.9	20.1	18.8	18.8	20.0
Int. Users as % of Pop.		3.32	3.95	4.64	5.45	6.48
E-commerce Rev (US\$mil.)	10,746.0	19,627.0	38,994.0	80,985.0	165,254.0	300,282.6
% Chg.		82.6	98.7	107.7	104.1	81.7
Online Advertising (US\$mil.)	361.1	612.3	1,044.5	1,926.0	3,436.0	5,399.0
% Chg.		69.6	70.6	84.4	78.4	57.1

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(Korea) down more than 50%. Even expanding e-conglomerate Chinadotcom has suffered, losing

another startup Web company about to run out of funding or shutting down.

Today, the new Internet mantra is all about the path to profitability, conserving capital and making every item of marketing expenditure count.

While the Web has revolutionized the way the world thinks about communications, information and commerce, it has not been able to reinvent the basic economics of business.

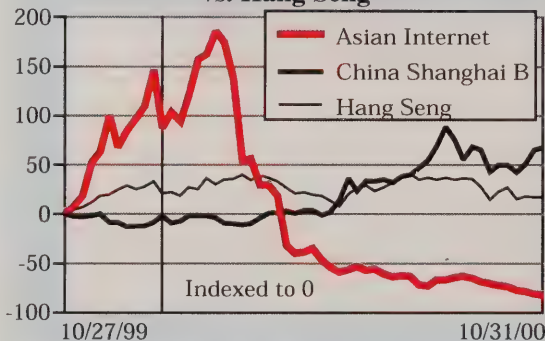
Just as TV viewers want to have access to dozens of channels but only end up watching 6-8 on a

regular basis, out of the millions of Websites available, Internet users gravitate to a handful of favorites and the ones with first-mover advantage (Yahoo! and America Online) have retained enough cash and market capitalization to buy the strugglers. If this pattern of new media Darwinism continues to hold then it will likely lead to the consolidation of the entire sector in Internet time.

OPERATING GROWTH. How will the consolidation occur in Asia?

Well, just as in the US, early movers among portal stocks, e-conglomerates and broadband Internet players could benefit from the rapid growth in Asia-Pacific Internet users, online advertising and e-commerce. KAM forecasts 200

Asia Internet Average vs. China Shanghai B vs. Hang Seng



more than 70% this year.

Subsequently, most media reports are filled with stories of

DOTCOM ADVERTISING EXPENDITURE

Country	Oct-Dec '99 000's	Jan-Mar '00 000's	Apr-Jun '00 000's	Q1 '00 vs Q4 '99 % change	Q1 '00 vs Q4 '99 % change
Hong Kong (HK\$)	121,688	400,567	466,048	229.2	16.3
China (RMB)	64,220	83,389	181,682	29.8	117.9
Singapore (S\$)	5,020	12,254	25,433	144.1	107.5
Malaysia (Rt\$)	549	1,622	8,513	195.4	424.8
Thailand (Bt\$)	127	43,821	73,170	34,404.7	67.0
Taiwan (NT\$)	430,786	538,599	-	25.0	174.1

Source: ACNielsen

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million Internet users in the region (including Japan) by 2005, a 153% growth on 79 million users in 2000.

E-commerce revenue for the region could reach more than US\$300 billion by 2005, almost a threefold growth from US\$10.7 billion in 2000.

The online advertising market, worth an estimated US\$361 million in 2000, could soar past the US\$5.4 billion mark by 2005.

Despite the reports of layoffs and excessive marketing spend in the region, Asia-based Internet related media continue to spend substantially on advertising.

For instance, companies in Hong Kong spent more than US\$51 million in advertising during Q1 2000 (versus US\$16 million in Q4 99).

What the second half of the year yields will be important particularly with the burst of the Asian Internet bubble.

In the short term, advertising revenue will decline marketwide due to continued pressure on cost per thousand impressions (CPMs) and dot.coms reducing their online ad spend budgets.

In terms of the regional Internet user base, the potential for additional upside and increased penetration will remain after 2005.

KAM's total of 200 million users represents only 6.7% pene-

tration of the 3.1 billion population in the region. As David So, Regional Internet Analyst for Merrill Lynch (Asia Pacific) admits, the operating Internet market in Asia is only just beginning to gather momentum.

"The US Internet began its momentum only about five years ago," says So. "Asia caught the tail end of the boom in 1999, we're way behind the 25%-30% penetration rate in the US. We're thinking in terms of 5% penetration for the region by 2005 and it will take a 15-year cycle from there to acquire 20%-30% penetration rates largely because in China and India, the region's most populous markets, penetration is just under 1% now. Market penetration, online advertising and e-commerce will grow rapidly but in absolute terms both countries will remain behind Japan and Korea."

In terms of first-mover advantage, it will be those with cash and strong operating metrics that win market share.

So reckons that the likes of Sina.com (China) and Chinadotcom (regional e-conglomerate) along with Softbank and

Yahoo! Japan could emerge as the consolidators of Internet activity across Asia. The new business regime would become dictated by cash flow considerations and tangible revenue streams. "Look out for Chinadotcom in particular," says So. "They came into the business as a portal aggregator but they operate as an e-conglomerate now. With over US\$516 million cash in hand they will likely undertake some major merger and acquisitions."

Japan and South Korea remain

services via ADSL (asymmetric digital subscriber line), followed by cable-TV network broadband Internet (994,000) and LAN (local area network) Internet (520,000).

Daum Communications, 20% held by European media giant Bertelsmann, has firmly established itself as the leader in Korea's portal space.

Having launched the country's first web-based free email service, Daum added new services and content to become the country's leading local language-based horizontal portal.

It has seized its early-mover advantage to aggregate 16 million registered users to date, accounting for 95% of Internet users in Korea, according to the Korea Network Information Center (KRNIC).

It churns out 100 million daily page views (second in Asia to Yahoo!

Japan) and its online community service also has 3.5 million members.

Within the Korean Internet space, Daum's business model is based on online advertising and e-commerce.

KAM forecasts the Korean online ad market to reach US\$450 million by 2005 and Daum is likely to take up significant market share although it will face increasing competition from Lycos Korea (80 million daily page views) and Yahoo! Korea (55 million page views).

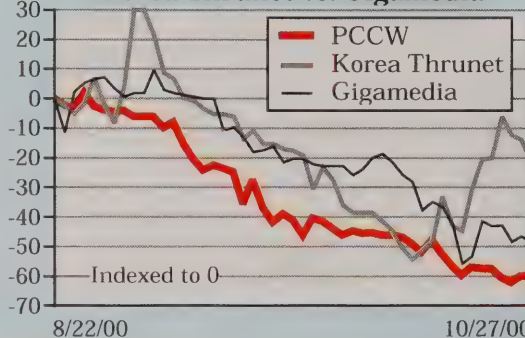
BROADBAND PLAYS. Korea Thrunet, the country's leading cable-based broadband Internet provider continues to expand its business with new technology contracts (Motorola), additional build out (to more than 6 million homes passed) and subscription growth (560,000 customers).

Investors however remain concerned about growing competition from DSL-based Korea Telecom (more than 500,000 customers). Thrunet shares have plunged more than 90% on the NASDAQ this year (although it's up 10% this month on the news of additional buildout and Motorola).

Like Thrunet, other regional broadband contenders have also been executed.

Most notably, Richard Li's Hong Kong-based Pacific Century

Pacific Century Cyberworks vs. Korea Thrunet vs. Gigamedia



the driving forces of change. KAM estimates 29 million Internet users in Japan by end 2000 and 17 million in South Korea.

Given the advanced nature of its economy and the growth in its user base, Japan continues to possess the largest online advertising market in Asia by a substantial margin.

By year-end 2000, the Japanese online ad market could be worth US\$230 million and by 2005, it could reach US\$3.3 billion. We forecast e-commerce revenue at over US\$5.8 billion in 2000 and rising more than 2000% to US\$125 billion by 2005.

Companies to watch include Internet investor Softbank and portal Yahoo! Japan. Softbank shares have plunged 82% this year, however, largely on the back of concerns over liquidity.

South Korea's Internet boom has largely been delivered on the back of Internet user growth (17 million), high technology receptivity of the population and the popularity of online broking.

Broadband enabled subscribers are growing fast. The Ministry of Information and Communication November 1 released national survey details that put the number of households using broadband Internet at three million.

The majority of subscribers (1.47 million) access broadband



Anti-clockwise, Chester Koo, Chairman, Koo's Group; Richard Li, Chairman, Pacific Century CyberWorks; Raymond Chang, CEO, GigaMedia



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CyberWorks (PCCW) has lost 67% this year (see News, page 14). PCCW started out as an Internet baby and the acquired Hong Kong Telecom in a US\$28 billion deal, which closed in August this year. While HKT's telephone assets are substantial, it's PCCW's future growth that investors doubt.

Richard Li has long cherished an ambition to deliver broadband Internet access across the region using PCCW's Network of the World (NOW) service.

But because of poor content and infrastructure, plans have been delayed and broadband ambitions put on hold.

GigaMedia, 61% owned by the Koo's Group and 9% held by Microsoft, leads Taiwan's nascent broadband market with 32,000 subscribers but has lost more than 80% on the NASDAQ year, closing October 31 at an all time low of US\$4.99. Its issue price was US\$29.

The company is facing heavy competition from rival high-speed cable Internet players including Eastern

Multimedia, Taiwan Broadband and DSL foe Chungwa Telecom.

"The most competitive pressure is likely to come from DSL," says CEO Raymond Chang. "But we intend to maintain market share by providing a high quality (1.5Mbps vs. 512Kbps) at the same affordable rate. We also plan to introduce a two-way second-tier package at a lower monthly rate."

A deal with Rupert Murdoch's Star TV, announced in September, could also add momentum.

Both parties will create a new company, initially capitalized at US\$200 million, to upgrade and digitalize Gigamedia's major cable partners, representing over 2.2 million homes passed.

LONG TERM POTENTIAL. China and India both represent the region's greatest long-term potential markets. A host of China-focused portals are looking for lead position in the mainland market.

KAM forecasts 45 million Internet users in China by 2005, driven by rising PC penetration, improved telecommunications infrastructure and falling access costs.

Among those bidding for lead position in the market

NASDAQ-listed portals Sina.com, Netease.com, and Sohu.Com have emerged as the most likely to dominate the action.

Each company has endured a rough ride since it made its debut on NASDAQ this year with Sina down more than 50% to US\$6.97 at October 31; Sohu.com down 48% to US\$3 and Netease down 36% to US\$3.50.

Netease.com is 8.5% owned by News Corp., 18% by Softbank and 58% controlled by founder and Chairman William Ding.

The company was established

professor at MIT (4.4%).

Its August acquisition of ChinaRen is likely to kick start a wave of M&A dealmaking, part of the first phase of Internet consolidation in China. According to Sohu executives, the combined entity will have 44 million page views and 7.8 million registered users.

The company will need to watch out for its cash burn however given that ChinaRen currently does not generate much revenue. At the end of June, Sohu had around US\$79 million (pro forma) in cash versus Netease's US\$103

a mainland focused portal aggregator anymore but a regional e-conglomerate. At the end of July, the company had 6.3 million registered users and 21 million page views to its portal network.

Lead investors in the NASDAQ-listed company (it was the first Asian Internet play to list on NASDAQ, back in July 1999) include America Online (8%); Chinese state-owned Xinhua Agency (11%), Hong Kong property developer New World (18%); and Internet advertising giant 24/7 Media (8%).



From Left, Peter Hamilton, COO and CFO, Chinadotcom; King Lai, CEO, Netease.com; William Ding, Chairman, Netease.com.

in June 1997 as an Internet software developer. A year later, it began to provide Web technology and leading Chinese-language sites such as 163.com. In July 1999, it began its e-commerce service.

Its approach – broad content supported by community and commerce – is beginning to find success.

The company's operating metrics are strong. By end-June, its page views had reached 24 million per day with registered users at six million, third behind Sohu (6.3 million) and Sina (7 million).

Sohu.Com, was founded in July 1996, by Charles Zhang, a PhD graduate from MIT in the US. Zhang controls around 28.3% of the company's outstanding shares.

Its second largest shareholder, Morningside Cyber Ventures controls 20.7%, followed by Intel (10.5%) and Edward Roberts, a

million and Sina's US\$130 million.

Sina.com is strongest portal in China in terms of monetizing its page views with the highest effective CPM rate among the three NASDAQ-listed portals.

The company was founded in March 1999, as a result of the amalgamation between SRSnet.com and Sinanet.com.

Sina covers Chinese users in four major markets: China, Hong Kong, Taiwan and North America.

Since its creation in 1996, Chinadotcom has solidified its pioneer status to emerge as a pan-Asian Internet leader with a broad range of

businesses in 10 markets across the region ranging from online portals, network advertising and Web solutions to an investment program that includes incubation, acceleration and partnership.

Today, Chinadotcom isn't just

China's Internet future will largely be shaped by government regulators. New measures are as strict as they are broad, establishing a potentially onerous pre-approval regime.

With US\$516 million cash in hand, the company is looking to consolidate its leadership position in Asia.

China's entry into the World Trade Organization (WTO) would benefit the company's expansion plans and also bring competition from global companies including Yahoo!, AOL, Microsoft and Lycos. Its regional ambitions are gaining momentum in South Korea and Japan.

Company executives and money managers say the business could hit breakeven in FY 2001.

In FY 99, the company reported revenues of US\$20 million and registered EBITDA losses of US\$28.8 million and a net loss of US\$18.7 million.

Web Connection, the company's e-business solutions operation contributed US\$16 million in revenue during Q2 2000.

Much of the growth has been driven by a huge demand from corporates to establish a presence on the Web.

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ASIA PACIFIC INTERNET USERS (IN MILLION)

	2000	2001	2002	2003	2004	2005
Australia	6.1	6.7	7.4	8.4	9.3	10.4
% Pen.	31.7	34.4	37.7	42.3	46.4	51.4
China	13.0	17.0	21.0	25.0	33.0	45.0
% Pen.	1.0	1.3	1.6	1.8	2.4	3.2
Hong Kong	2.0	2.4	2.8	3.2	3.6	4.0
% Pen.	29.5	35.0	40.3	44.9	50.7	55.7
India	2.3	4.5	6.9	10.8	16.3	24.0
% Pen.	0.2	0.4	0.7	1.0	1.5	2.3
Indonesia	1.0	1.3	1.7	2.2	2.7	3.2
% Pen.	0.4	0.6	0.8	1.0	1.2	1.4
Japan	29.0	34.8	40.7	46.4	52.0	57.7
% Pen.	22.9	27.4	32.0	36.5	40.8	45.3
Malaysia	1.1	1.5	1.8	2.4	2.8	3.3
% Pen.	4.8	6.3	7.6	9.8	11.5	13.3
New Zealand	0.8	0.9	0.9	1.0	1.2	1.4
% Pen.	20.3	22.3	21.8	23.8	27.9	31.9
Philippines	0.6	1.0	1.3	1.7	2.1	2.5
% Pen.	0.8	1.2	1.5	2.0	2.4	2.8
Singapore	0.9	1.1	1.3	1.5	1.7	2.0
% Pen.	29.3	35.4	41.3	47.0	52.6	61.2
South Korea	17.0	20.0	23.6	27.5	30.0	33.0
% Pen.	36.3	42.4	49.7	57.5	62.4	68.2
Taiwan	4.6	5.8	7.0	8.2	9.4	10.4
% Pen.	20.4	25.6	30.8	35.6	40.7	44.6
Thailand	1.1	1.4	1.7	2.2	2.5	3.0
% Pen.	1.7	2.2	2.7	3.3	3.9	4.6
Total	79	98	118	140	167	200
% Chg.		23.9	20.1	18.8	18.8	20.0

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Web Connection's client base includes companies such as HSBC, Procter & Gamble, Ford, Epson and Cisco.

Advertising revenue, at US\$13.4 million in Q2 2000 was generated largely by regional network 24/7 Media Asia which accounted for around US\$7 million.

The company reported an average CPM of US\$15.40, versus US\$14.30 in Q1.

China's Internet future will largely be shaped by government regulators.

In September, the State Council issued the most authoritative national regulations on the Internet.

The measures are as strict as they are broad, establishing a potentially onerous pre-approval regime for the establishment of Internet Information Services (IIS) as well as restrictions on content on Websites.

Following China's entry into WTO, restrictions on international investment are to be lifted with 30% upon accession, 49% after one year and 50% after two years.

Currently, overseas registered companies like Netease, Sina and Sohu are not allowed to conduct Internet business in China.

They have operating control of their China operations but no legal ownership.

This will change after WTO.

India's large population makes

the country one of the most potentially lucrative Internet markets in the region.

The country has four million PC users, only 0.4% penetration of the population and 2.3 million Internet users, only 0.2% penetration. We forecast 24 million

Internet users by 2005, 2.3% penetration so still huge potential to be had.

Launched in February 1996, Rediff.com was among the earliest India-centric horizontal portals to focus on both advertising and e-commerce.

The company, backed by Pacific Century CyberWorks, Intel and Citicorp, offers free access to 17 Web channels, as well as extensive community features, search capabilities and online shopping.

Q2 2000 results showed the number of

page views at 290 million (up 70% on the previous quarter), revenue up 53% to US\$871 million and losses narrowing 2% to \$2.9 million.

Ad sales revenue rose 51% to US\$822 million while e-commerce revenue surged 96% to US\$51 million.

Rediff is now looking to monetize Indian eyeballs overseas. Chairman Ajit Balakrishnan wants to buy five companies each in the US, UK, Malaysia and Singapore over the next six-12 months.

The English version of its Web site currently receives 40% of its page views from overseas. The single largest contributor, at 30% of total page views, is the U.S.

The overseas expansion comes amid competition in the domestic market. Yahoo! launched its India site in July, followed by Alta Vista and Lycos.

Rediff could maintain its lead

with strong local content (five regional languages) and improved product offerings.

So Asia-related Internet players find themselves confronting the prospect of a growing regional Internet universe and one that still won't reach saturation with over 200 million Internet users and 320 million PC users by 2005.

The overall market be worth US\$305 billion by that time. Meanwhile stock market corrections and lower valuations will spur the next phase of development, separating the unsubstantial chaff from the valuable grain and should run its course in record time.

By this time next year, we could be considering the remarkable recovery of Web stocks and the leading members of the pack will be trading at multiple of year-ahead cash flow instead of multiple of revenue five years out. ●

WEB RANKINGS (HONG KONG & CHINA)

Overall rank	Web property	Unique users '000	Avg time spent per user hh:mm:ss	Pageviews per user
Hong Kong				
1	Microsoft Sites	1,309	00:23:49	30.3
2	Yahoo Sites	1,272	01:28:51	116.6
5	Chinadotcom Sites	811	00:51:29	73.2
China				
1	Netease.com	5,063	01:15:09	228.4
2	Sohu.com, Inc.	4,847	01:38:24	215.1
3	SINA Sites	4,212	01:58:36	222.6
7	Chinadotcom Sites	2,094	00:25:42	80.1

Source: iamasia

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Swaraj takes the reins of regulation

Sushma Swaraj has been Information and Broadcasting Minister before. She fought to have the job again and now faces new challenges over DTH satellite legislation, content regulation and control of India's broadband future. ANIL WANVARI reports

Clarity and stability has never been the India media sector's strongest suit and over the years the broadcasting industry's regulatory powers have played a major part in reinforcing this unsatisfactory status quo. For example, the story of direct-to-home (DTH) satellite services has been a decade in the making with bills to approve commercial licenses either delayed, obstructed or sometimes even forgotten.

Over the past four years, various governments have appointed at least five information and broadcasting (I&B) ministers, and just when it looked like they were getting a handle on what Indian media legislation should be, they were relieved of duties or shifted to another department.

The decision of the BJP

alliance-led National Democratic Alliance (NDA) government on September 30 to relieve Arun Jaitley of his I&B portfolio was a continuation of that trend. Jaitley during his term had been working steadily to set up a framework for the broadcasting sector in sync with the information technology and communication ministries.

The NDA pitched Sushma Swaraj, an I&B minister a couple of years ago, once again into the hot seat. A Supreme Court lawyer at the beginning of her career, the 48-year-old Swaraj is credited with being the youngest Cabinet minister in the country when she was elected to the Haryana assembly in 1977.

TRACK RECORD. Swaraj has already built up a formidable track

record. During her previous tenure as I&B Minister, she pushed through uplinking by Indian-owned channels, rejigged the *Prasar Bharati Act* to its 1990 status (in the process making the holding company of Doordarshan (DD) and All India Radio (AIR) accountable to the government), and booted out the gutsy Chief Executive S S Gill.

Additionally, she allowed TV software companies international equity up to 74%, but barred them from participation in broadcasting; fine-tuned a proposal to allow foreign broadcasters to set up their uplinking infrastructure in place and took to Parliament the issue of mandatory uplinking from India for all; and permitted 100% foreign equity in advertising companies.

She also managed to get the go-ahead for cable operators to enter Internet services (thereby providing the framework for the evolution of broadband cable) and forced advertisers and private channels to draw up a code for tobacco and liquor advertising.

CONTENT QUEEN. But Swaraj also made a lot of noise about the fact that newsreaders on DD needed to be less skimpily clad (they used to wear blouses and saris). And she talked of making television clean; obscenity aired on TV was not going to be tolerated.

In the month or so she has been in her new job, she has once again started espousing that same view. She has called for the channels to air family content. "I'd like every member to be able to sit in front of it and not get embarrassed," she says. "My permanent priority is to make TV a family media so that the entire family can watch it without any embarrassment or hesitation."

Another major announcement she has made relates to the print media. She told the Economic Editors' conference in Delhi that the government was reconsidering whether international companies

would be allowed to invest in this sector.

Foreign investment in the print sector has been a sacred cow since a Cabinet decision was taken way back in 1955 to disallow foreigners to invest in this sector. A spate of editorials appeared in the local media, criticizing her, and politicians within her own party came out against her statement. Indian print media owners have long kept foreign companies at bay taking recourse to the 1955 resolution whenever any statements of opening up the market were mentioned.

Following the protest, Swaraj has backed down indicating that she only wants to open a national debate. "Since print media is not just another sector, extra caution is needed in allowing foreign media entry," she says. Arun Jaitley had already dismissed any such initiative on the government or the I&B ministry's part earlier this year.

Not that Swaraj doesn't have enough in television and broadcasting to keep her busy. There is the amendment to the *Cable TV Regulations Act, 1995*, passed two months ago, including content regulation. She has to ensure that it is followed, policed and implemented for it to be really effective.

Cable operators have protested that they are not responsible for any violations in the programming and advertising codes. She has met cable operators to help resolve their issues, especially relating to copyright infringements and the extent of their culpability should some broadcaster violate the programming or advertising codes.

DTH DEREGULATION. Ku-band DTH satellite television is set to go-ahead finally after a four-year ban on the sale of Ku-band reception equipment. A group of ministers (GoM) headed by Home Minister L K Advani and including both Swaraj and Arun Jaitley (former I&B Minister, now Law Minister) recommended that the DTH platform be available for telecast along with certain con-

A LIFE IN POLITICS

SUSHMA SWARAJ

Born: Ambala (army Cantonment), India

Educated: Law Department, Punjab University, Chandigarh

Qualifications: BA, LLB, BJP

Political beginnings: Member of the National Executive of Janata Party for four years; President of Haryana State Janata Party for four years; All India Secretary of Bhartiya Janata Party (BJP) for two years.

Present posts: Minister for Information and Broadcasting; All India Secretary of the BJP and the party's official spokesperson

Elected positions: Elected to the Legislative Assembly of Haryana in 1977 and sworn in as a Cabinet Minister – at 25, the youngest Cabinet Minister in India; elected again in 1990.

Member: Rajya Sabha; Consultative Committee of the Ministry of I&B; Committee on Ministry of Communications; Committee on Televising the Proceedings of Parliament

Family: Husband Kaushal Swaraj (a former Governor of Mizoram) and a teenage daughter

Interests: Poetry, classical music and drama

straints on the participation of international investors and cross-media restrictions. On November 2 the Union Cabinet approved the GoM's recommendations.

Swaraj has been given the responsibility of drawing up the final draft for DTH legislation that could see annual DTH license fees pegged at more than US\$90 million. The GoM recommended a license fee structure so as to provide a level-playing field to cable-TV operators who pay a service tax to the government.

Swaraj and the I&B ministry will likely recommend that publisher DD be the main DTH operator in partnership with private media companies. The I&B is expected to limit international equity to 20% and favor an open set-top box regime. Waiting anxiously in the wings to hear what the government would finally propose has been Murdoch's Star TV, Subhash Chandra's Zee Telefilms and Malaysia's Measat (which has a two-year-old agreement with DD).

The GoM has stipulated that DTH operators must set up their satellite earth stations on Indian soil.

This will allow government agencies to monitor the contents of channels to ensure they conform to the country's decency standards.

Meanwhile, Swaraj also has the entire privatization of FM radio to deal with. Already, some bidders (leading this pack is Zee Telefilms which has taken the matter to court) have said they will not be in a position to meet the commitments they had earlier made during the bidding process earlier this year during Jaitley's term.

The FM privatization was derailed a year ago when the government discovered it was giving away too much for too little and it refused to issue licenses to the existing players such as Mid-Day, Times FM and India Today, when they bid shockingly low figures for the frequency 107.1 MHz.

CONVERGENCE EQUATION.

Swaraj's greatest challenge will likely be ensuring her ministry is not confined to the sidelines in

framing legislation on convergence. She will have heavyweight politicians such as Information Technology Minister Pramod Mahajan and Communications Minister Ram Vilas Paswan to contend with. Each of them wants control of India's cable TV and telecommunication markets.

And the various interested pressure groups within industry will be lobbying hard to ensure that regulation favors them.

"There are wheels within wheels. These can

throw a spanner in the works. How well she manages all the contradictions will determine the pace of the passage of regulation," says UTV Chairman Ronnie Screwvala. "We are talking about three ministries – IT, Communications and I&B (which currently operate independently of each other) being brought under one common regulatory body, which is a tough ask for anybody."

UNDERDOG. But Swaraj should prove up to the task. According to Amit Khanna, who is Co-chairman of the Federation of Indian Chambers of Commerce and Industry (FICCI) entertainment committee, she cannot be ignored. "She bargained for the information and broadcasting port-

folio and she got it," he says. "But she is all right. At heart she is a liberal."

Reported to be close to government lynchpin L K Advani (not the greatest of calling cards – Advani was formerly notorious for his overt nationalism) she has been more than willing take up any challenge.

Like she did two years ago, when she was relieved of her I&B portfolio and told to take on the Chief Minister role in New Delhi, when things were looking dicey for the BJP in the state. She followed it up by even risking a battle with Sonia Gandhi, wife of slain Prime Minister Rajiv Gandhi during the last elections to the Lok Sabha (Indian Parliament).

She lost to Gandhi, but she won many hearts by speaking in the local Kannada language, and by taking up the challenge when called, despite the fact that she was the underdog.

The diminutive 48-year-old is a law graduate from Punjab, who earned distinction during her college years and walked away with several state honors for her literary, oratory and dramatic skills in Hindi.

At 25, she scored a record of sorts by becoming the youngest minister holding

eight portfolios. She gradually progressed upwards until she entered the Rajya Sabha from Haryana in 1990.

Her romance with the BJP commenced in 1984 when she joined the party – then a weak motley crew with the Congress being a powerful force – on account of her strong Rashtriya Svayamsevak Sangh (the group backing the BJP) influence. Her climb in the BJP ranks has been rapid and she has held several positions, from spokesperson to being the only woman general secretary.

Swaraj also donned the communications minister's hat a couple of years ago and during that time she cautioned overseas communications carrier VSNL to curb sex call services that were proliferating in India with overseas numbers. This apart, she has a habit of speaking her mind.

She has been quoted making statements against the Vishwa Hindu Parishad and even the BJP in the media. When queried she has consistently said that she was misquoted.

According to FICCI's Khanna, it does not really matter who heads the I&B ministry because broadband development in India cannot be held back despite restrictions on access to international capital. "The government as a whole is sending signals that it is committed to taking India to the forefront of the convergence era," he says.

"I am not saying she is a bad choice. She is not technical so don't tell her to consider whether India should go for PAL-G or PAL-B. But she does exude an aura of stability." Most of the executives at India's media corporations are confident that by end 2001, the government will introduce clear and productive convergence legislation and a positive agenda for DTH satellite broadcasting ensuring an end to more than a decade of lawlessness. ●



The quiet contender in Japanese cable

J-Com has emerged as the leading gladiator in Japan's cable industry but it could soon face a new rival in Tomen Mediacom.

Japan's cable consolidation has closely followed the pattern of the ultimate consolidation plays on show in the US and Europe.

Two companies have emerged as leading actors in the Japanese variation. The first act began in 1995 when John Malone's Liberty Media bought into a joint venture with Sumitomo Corp. to create Jupiter Telecommunications (J-Com).

Malone was soon joined by Time Warner (TW), which owns rival cable MSO Titus Communications. TW eventually sold out to Denver-based MediaOne, which in turn sold out to Bill Gates' Microsoft.

Instead of the cable king (Malone) competing with the broadband predator (Gates), the

two moguls and local gladiator (Sumitomo) decided to merge properties in April 2000 in order to gain scale and lead the first phase of the ultimate consolidation of Japanese cable.

Meanwhile rivals such as Tokai Cable and Tokyu CATV have also found the backing to compete on the capital frontier but it's now likely that J-Com's competition will come from Tomen Mediacom (TMC).

TMC, established in 1997 and initially capitalized at US\$61 million, has quietly become the second ranked cable MSO in Japan behind J-Com.

To be sure J-Com's broadband boardroom of Gates and Malone with execs Lee Daniels and Vernon Chamberlain dominate the industry headlines but TMC is

EQUITY OWNED SUBS & HOME PASSED BY TMC

Station	Franchise Homes	Homes passed	Subscribers	Penetration
	(000)	(000)	(000)	(%)
City Telecom Kanagawa	88.7	70.9	7.6	10.7
City Cable Net	127.5	77.7	24.9	32.0
Sayama CableTV	14.9	14.9	3.7	24.8
Yokohama Television	40.9	31.5	19.4	61.6
Musashino Mitaka CATV	23.1	23.1	7.6	32.9
Total	295.1	218.1	63.2	29.0

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undertaking a plan to ramp up subscription with triple-play packages, interactivity and aggressive acquisition of smaller systems.

J-Com is of course after exactly the same business in its franchise of seven million homes.

And it already has the competitive advantage with 28 systems passing more than five million homes and commanding 832,000 cable-TV customers, 96,500 Internet users and 54,700 telephony customers.

TOMEN MEDIACOM SYSTEMS

Station	Area	Capital (¥ mil)	Major shareholders (absolute)	Invested capital capital % stake (¥ mil)	Invested households	No. of passed (000)	Homes (000)	Subscribers (000)
City Telecom Kanagawa	Yamato, Ebina, Zama, Seya ward in Yokohama Ayase	3,000	Tomen Mediacom	1,137.5	37.92	234	187	20
			Japan Telecom (9434)	570.0	19.00			
			NEC (6701)	427.5	14.25			
			Kyowa Exeo (1951)	190.0	6.33			
City Cable Net	Tokorozawa, Kiyose Higashi-murayama	3,569	Tomen Mediacom	2,166.7	60.71	210	128	41
			Casio (6952)	250.0	7.00			
			Japan Telecom (9434)	200.0	5.60			
			Funai (6839)	136.6	3.83			
Sayama	Sayama CableTV	750	Kyowa Exeo (1951)	133.3	3.74	36	36	9
			Tokorozawa city	15.0	0.42			
			Tomen Mediacom	310.0	41.33			
			Shimizu Takenobu	72.0	9.60			
Yokohama Television	Minami World, Yokohama Isogo ward, Yokohama Naka ward, Yokohama	2,880	Sayama City	10.0	1.33	169	130	80
			Tomen Mediacom	698.8	24.26			
			JGC (1963)	729.6	25.33			
			Fujitsu (6702)	547.2	19.00			
Musashino Mitaka CATV	Musashino Mitaka	3,000	Tomen Mediacom	510.0	17.00	136	136	45
			Secom (9735)	1,169.0	38.97			
			Mitsui Corp. (8031)	510.0	17.00			
			Fujitsu (6702)	382.5	12.75			
			Musashino City	10.0	0.33			
			Mitaka City	10.0	0.33			
Total		13,199				803	617	195

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MAJOR CABLE TELEVISION OPERATORS

Company	Time of est. (Y bil)	Capital	Shareholders	Homes passed	Total subscribers	Internet subscribers	Telephone subscribers	Franchise homes
Jupiter	Jan 95	47.0	Sumitomo Corp 35% Liberty Media 35% Microsoft 24% Itochu Corp. 3% Toshiba 3%	5,300,000	832,000	96,500	54,700	7,039,000
Tokyu CATV	Mar 83	3.6	Tokyu group companies	7,000,000	72,550	20,405	NA	880,000
Tokai	1988	NA	NA	378,573	135,849	13,486	NA	550,565
Tomen Mediacom	Mar 97	6.5	Tomen 42% Olympus 42% PCCW 16%	760,000	250,000	9,000	NA	960,000

N/A: Not available

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SMALL BASE. TMC operates only five systems in Japan and has majority control in three of these systems.

Its total equity-owned subscribers stand at 68,000, a 29% penetration of 218,000 homes passed.

Plenty more capital will have to be invested towards upgrade (two of its systems operate at 770 MHz HFC; the three remaining will upgrade at the cost of US\$200/home passed) a master digital headend and interactive TV services).

As President Hiroshi Morimoto readily admits, "We have not yet acquired the status of J-Com; we aren't a subscription machine," says Morimoto. "But we plan to ramp up growth; introduce VOIP services in addition to digital video, interactivity and high-speed data. And we also plan to acquire smaller systems."

Where will the capital for expansion come from? Most likely from its shareholders: Japan's Tomen Corp (42%), Hong Kong-based venture cap firm Olympic Holdings (42%) and Richard Li's Pacific Century CyberWorks (16%). Pacific Century CyberWorks acquired its stake in July this year for US\$16 million. That works out to a US\$100 million valuation for TMC, around US\$513/subscriber, far behind the US benchmark of US\$5,000-US\$6,000/subscriber.

VALUATION GAP. More significantly, it lags considerably behind some valuations per sub on Japanese systems. Capital has been pouring into broadband development sometimes at the rate of US\$13,000/sub. Much of the value is due to the potential upside to be

had from cable's telephony and data passings and its limited 9% penetration of the 45 million TV homes in the country.

In July, Sony invested US\$95.2 million to acquire a 10% stake in Tokyu Cable, a subsidiary of railway business Tokyu Corp. The price tag valued Tokyu at US\$952 million or US\$13,600/subscriber.

Similarly last November, local press valued Microsoft's 60% stake in Titus at US\$952 million (US\$13,500/sub at the time).

However, since that time, both Microsoft and Titus have told Kagan Asia Media (KAM) recently such speculation "has been extremely inflated".

Morimoto however reckons that broadband upgrade, outright system ownership and aggressive acquisition could add value and stretch horizons almost twofold to 10,000 per subscriber.

He is also confident that pure video services will survive in Japan. "In the past content and customer choice was completely

absent. But that's improving now."

KAM data indicate cable-TV customers would reach four million by end 2000.

The Ministry of Posts & Telecommunications (MPT) says there were 9.5 million subscribers at end 1999 but that total incorporates 40%-50% of customers who receive terrestrial retransmission.

KAM's four million estimate provides a more accurate reflection of the cable-TV landscape.

Morimoto reckons that broadband upgrade, outright system ownership and aggressive acquisition could stretch valuation-horizons almost twofold.

We forecast more growth in high-speed data services with more than three million cable-based broadband Internet subs by 2005, a 1,288% growth from 216,000 customers at end 1999.

Leading players have also begun the process of digital conversion and hope to complete the process by 2005-2006 with the deadline set at 2010.

KAM projects 16 million digital cable-TV customers by 2010, a 40% share of the overall pay-TV market.

TMC plans to increase its com-

petitive edge with the introduction of digital interactive TV services. PCCW's broadband Network of the World (NOW) will be TMC's main interactive portal, according to Morimoto.

TMC will begin to market its services more effectively, says John Flanagan, VP, Marketing. And he is confident that video, voice and data services will begin to ramp up subscription growth.

Flanagan joined TMC in May this year and came with solid credentials with experience at arch rival J-Com and Malone's Liberty Media.

What's the agenda for the year ahead? Digitalization, interactivity, consolidation of current system ownership and acquisition of new systems.

And that's only phase one of expansion - J-Com has its own plans, including digital interactive TV, while it ramps up its rapidly growing high-speed data and telephony business. It will also likely list on either the NASDAQ in the US or NASDAQ Japan next year. TMC plans to list on the Tokyo Stock Exchange in 2003.

By then, Morimoto still may not be done with his bold strategy. He might even consider merging TMC with J-Com bringing about the ultimate consolidation of Japanese cable. ●

JAPAN: BROADBAND CABLE PROJECTIONS

Broadband Cable	2000	2001	2002	2003	2004	2005
Home Passed (000)	18,150	19,500	21,500	23,020	24,210	25,100
Cable-TV Subs (000)	4,000	5,200	6,700	8,360	9,950	11,500
Internet/data Subs (000)	290	650	1,200	1,800	2,400	3,000
Telephony Subs (000)	85	100	120	135	145	151

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Cable lords look to build a business

Cable's critical mass in China has been unable to deliver value because of limited business models. That could all change soon. VIVEK COUTO reports

The Ming dynasty (1368-1644) in Chinese history was an era when so many great things could have happened. But opposition from conservative officials at court meant that the plans for business expansion and commercial ventures were heavily compromised.

Today, in the digital 21st century, China's media industry faces the same predicament. The government bans international investment in cable TV and limits the amount of foreign programming content. These are critical components of the government's traditional view of cable as a utility for which rates are to be maintained at the very low US\$1-US\$2/subscriber/month.

Cable remains the mainland's dominant media platform (more than 90 million subscribers by end 2000) outpacing both wireless (65 million) and the Internet (22 million) as distribution vehicles. Kagan Asia Media (KAM) forecasts 130 million cable-TV customers by 2005, a 45% penetration of 291 million TV homes. Cable systems however want to create value with digital tiers and interactive services. Such a business proposition will need capital, content and technology from international sources. That requires progressive deregulation in the next decade — a process likely to prove critical to the future of cable TV in China.

CREATING A BUSINESS. Beijing-based Michelle Sie, President of Encore International — which has a deal to provide eight hours per week of international programming to state broadcaster CCTV — reckons that despite the huge potential cable has to offer, bureaucracy is fighting the business ethic.

"In the early 1990s, hardware manufacturers and programmers alike bemoaned the restrictions on international programming that could drive the industry revenues (and theirs) through the roof," says Sie. "They scoffed at China's tech-

nocratic bureaucrats who just didn't understand that we could all be rich. Almost 10 years later, there is still no business plan and no platform of international programs being delivered to appreciative Chinese city-folk."

Cable systems enjoy local pay-TV monopolies. Government restrictions however on subscription rates, international content and investment have limited revenues and the ability to upgrade infrastructure and introduce digital set-top boxes.

So far, cable systems have responded to the ceiling on monthly rates by maximizing advertising revenue. In the past two years the leading systems including Shanghai Cable and Beijing Cable TV have separated their programming assets from their network operations. The programming unit captures ad dollars while the network survives on sub revenue. Going forward, the prevailing logic for the network unit is to offer premium packages at higher monthly

rates alongside interactive TV and broadband Internet access.

The majority of China's cable systems (about 90%) allow only one-way transmission with most using the mid-range 550-MHz bandwidth. Some of the major systems have begun various stages of upgrade. They started to move into telephony and the Internet, while telcos moved toward video.

In November last year, the Ministry of Information Industries (MII) however called an abrupt halt to such activity. In a policy reversal last month, Liu Chai, Director General of policy for the MII, said cable companies and telephone service operators would be able to compete in each other's industries (see News Feature, page 1).

Cable systems can now legitimately offer customers high-speed Internet/data and telephony services while phone companies can run cable-TV transmission.

However cable systems will still need license to offer phone services making the provision of

triple-play packages (video, voice and data) harder.

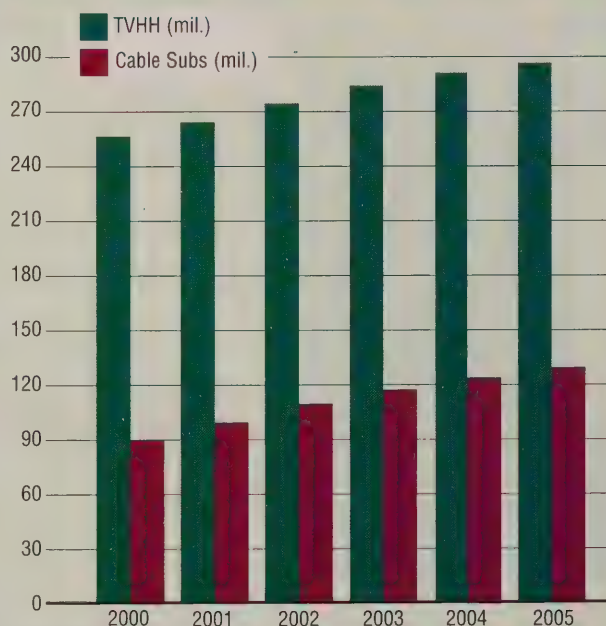
LEADERSHIP. Despite the positive news from the MII, it's likely that only a few systems remain in a position to offer broadband services. Leadership criteria include adequate cable infrastructure, a substantial subscriber base, relatively high income and trust/permission from nationwide regulatory bodies.

Shanghai Cable (SC), the country's largest system has nearly completed a broadband upgrade from 450 MHz to 750 MHz. Founded in 1992 by the Municipal Post & Telecommunications Bureau and the Shanghai Bureau of Radio & TV, the company claims over 3.2 million subscribers. In 1998, it collected revenues of US\$36 million with the bulk in advertising (US\$24 million) and US\$12 million in subscription.

Under instructions from the central government, SC has split into an infrastructure operator, Shanghai Cable Network (SCN), and a programmer, SCATV. The latter owns around 25% of SCN and provides it with channels and collects ad revenue. The Shanghai Broadcast & Film Bureau regulates SCATV and collects 5.5% of its earnings. The company broadcasts 26 channels — six from SCATV and 20 other channels from players such as public broadcaster CCTV. SCN has over 4,000 km of 750-MHz fiber and 2,200 nodes. It plans to invest US\$200 million over the next three years to upgrade its network and equipment to support broadband transmission.

"My understanding is that the cable infrastructure at SCN is already well developed (750 MHz-860 MHz), except there are many homes per node," says James Mitchell, Head, Media Investment Research at brokerage Goldman Sachs. "So the chief residual investment will be in digital boxes. Due to purchasing power, SCN would provide the boxes to only a minority of its subscribers."

CHINA: MARKET DATA



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The TV Channel for Kids

Country Profile -

In the future – if regulations permit – SCN could forge an alliance international partner to gain access to both capital and technical expertise. “International capital may be useful for box financing, and expertise for marketing and pricing advice and interactive applications,” says Mitchell.

Beijing Cable TV (BCTV) is another leading contender on the mainland. The company launched in 1992 as a MMDS service and then migrated to a HFC cable in 1998. It has 2.5 million subscribers and has also completed a split into separate network and program departments.

In general, cable systems will need to reinvest in network upgrades including installing more fiber and additional nodes; upgrading to 750 MHz from 450 MHz; and installing two-way switches to support interactivity. Some of the costs have been borne by the government, which has spent more than US\$25 billion on China's cable-TV infrastructure.

Elsewhere it normally costs US\$1,000/home passed to build hybrid-fiber coaxial cable. But according to local systems, the cost of upgrading networks for broadband could be as low as US\$200/home passed because of cheap land rights and labor, the population density in key markets like Shanghai and falling costs of equipment over time.

Digitalization will also carry substantial expenditure costs. “Digital boxes now represent an upfront cash outflow of about US\$200/subscriber,” advises Mitchell. “Since most cable systems are typically in imperfect financial health, we suspect that most will attempt to hand off the financing onto their equipment or application partners.”

TECH OPPORTUNITY. Some of these partners will likely include international companies. In the short term, international media are more likely to seize a share of the market via broadband interactive equipment and software provision rather than programming and network ownership. Some global media companies are already providing services and technology at a low cost to ensure market access and improve their chances into programming and networks.

South African-based MIH Ltd is providing technology (via Open TV and Irdeto) to a non-commercial DTH government project called CBSat. Right now, the commercial

operation of DTH satellite is banned and will likely be restricted until 2006.

In May this year News Corp. subsidiary NDS won a contract from the Information Network Center (INC) to supply NDS digital cable-TV headend systems, conditional access and a set-top box operating system for the country's first nationwide cable-TV network. INC will operate an SDH fiber network linking 19 provinces before expanding to national coverage and broadband capability. INC is a subsidiary of regulator the State Administration of Radio, Film & TV (SARFT).

In September, US-based Concurrent Computer Corp. announced that Beijing Fengtai Cable (BFC) had selected its MediaHawk solution to provide broadband VOD and other interactive services to its 350,000 subscribers using a Gigabit Ethernet network. BFC, one of four networks owned by the Beijing Cable Group, was the first district-wide cable-TV network in China and the first to offer fiber to the building. It remains one of the most advanced systems on the mainland and has built up a new type of CATV broad-

band digital multiservice network – IP Integrated Service Network (IPISN) – in the Fengtai district.

“MediaHawk is one of the few systems in the world that can stream high-bandwidth video to both TV and PC reliably,” says Jing Zhihong, Vice Director of Beijing Fengtai Radio & TV Bureau, the government entity that owns BFC.

“Since cabling are typically in imperfect financial health, we suspect most will hand the financing to their equipment or application partners.”

“We have over 350,000 customers today and plan on making VOD widely available over the next two years.”

Hong Kong-listed China Aerospace Science & Technology Corp. (CASIL) manufactures set-top boxes and

also plans to invest in a broadband multimedia data transmission network. In 1998, CASIL formed a cable-TV joint venture (capitalized at US\$20 million) with Jiangsu Provincial TV Bureau to provide data transmission and broadcasting services including Internet access and video on demand.

China Broadband Corp. (CBC) has legally established approval to form five joint ventures to upgrade existing cable systems. The JV partners are in Fujian, Hebei, Sichuan and Wuxi provinces and all are subsidiaries of the local bureaus of the SARFT. CBC plans to manufacture

set-top boxes using technology from US-based Nortel and nCube to offer interactive TV services including VOD.

BACKBONES AND REGS. Future broadband development will continue to be dictated by government-owned organizations. There are four major national backbones on the mainland, owned by China Telecom (CT), SARFT, the Ministry of Railway (MOR) and the People's Liberation Army (PLA). Of the four backbones, only CT and SARFT have last-mile connections.

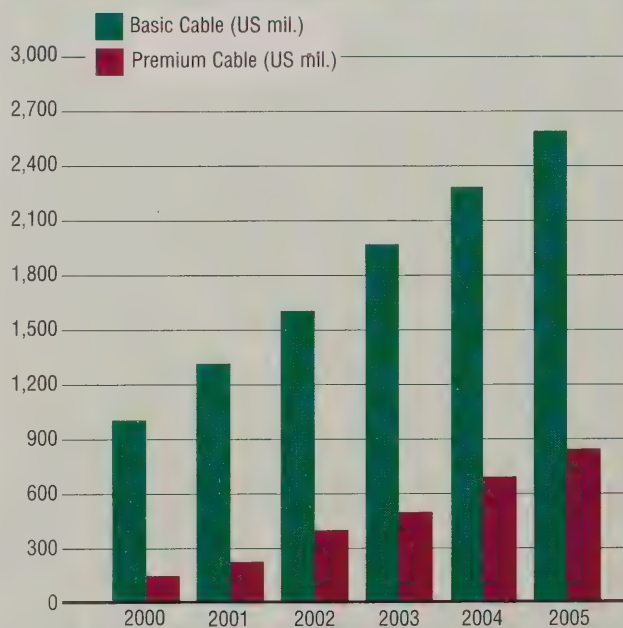
CT's last-mile connection uses twisted pairs designed for narrow-band voice transmission. SARFT's last-mile connection uses HFC infrastructure but is not yet two-way interactive ready. It has already begun to restructure the operation of China's 1.6 million-mile cable-TV network into a fully integrated cable-TV system, prior to upgrade to full broadband capability. The first phase of construction of the broadband and fiber network connecting 14 cities is to cost more than US\$120 million.

In March 1999, with the approval of the State Council (China's highest governing body), SARFT, the China Academy of Science, MOR and the Shanghai Municipal Government formed a company called China Network Communication Corp. (CNC). CNC will construct and manage high-speed Internet access projects in 15 Chinese cities by renting SARFT's and MOR's fiber networks. Each of the four parties holds a 25% stake in the company that was initially capitalized at US\$30 million.

Local press reports indicate that CNC plans to raise an additional US\$300 million in equity financing from a group of international investors. These include Rupert Murdoch (News Corp.), Michael Dell (Dell Computer Corp.), brokerage Goldman Sachs & Co. and Hong Kong property tycoons — Kwok Bros. (Sun Hung Kai), Shaun Kee (Henderson Land) and Robert Kuok Hock Nien (the Kerry Group). Such a deal would need approval from the State Council in Beijing.

Both SARFT and the MII are eager to control China's cable TV network through franchises awarded by the central government. SARFT has established the INC to handle cable consolidation. The process involves 3,000 cable operators being regrouped into 31 province-based systems. MII's agenda is to win the regulation of

CHINA: MARKET DATA



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the cable networks (the infrastructure), gaining the right to regulate on cable's broadband capability and making SARFT a pure content regulator.

"The advantage of the SARFT is its lock hold on content regardless of the pipe," says Sie. "A second advantage is the rapid buildup of HFC infrastructure and extraordinary progress of a national fiber backbone. However, the restriction of the SARFT (and therefore cable systems) to deliver Internet access poses a problem. The MII, meanwhile, has capital, international and IPO experience, the right to engage in cable modems and DSL but is restricted from entertainment and media content."

A decision on who regulates what will take time. "The attitude is one of wait and see – a good philosophy for new and developing industries," says Sie. "At this point, there is an informal date of 2004 after which the status and responsibilities of each organization will be reviewed. But until then, the maneuvering will continue. And that, of course, means more maneuvering, opportunities, and horse betting for international media companies."

Meanwhile, publicly held companies listed in Hong Kong are investing in cable, regardless of government restrictions. In January this year, Hong Kong-listed Citic Pacific acquired 60% of the PLA's backbone network. The company plans to expand the network to 32,000 km nationwide, covering 23 provinces and municipalities and over 200 cities. It would reach over 80% of the population in China with Beijing, Wuhan, Guangzhou and Shanghai as its center ring. The network is expected to be operational by end 2000 and will offer voice, video and data services.

"The advantage of the SARFT is its lock hold on content regardless of the pipe."

CONTENT PROVIDERS. The content carried by China's cable TV systems, which reach 80% of TV Homes in Shanghai and Guangzhou, consists largely of local city-based and provincial channels. Some international satellite channels are present, but this is

usually in the form of program blocks. Over the next 10 years, most cable systems could move on adopting programming tiers (to support international channels and 24-hour genre: news, sports and music) alongside interactive TV services.

"We expect a practical loosening of restrictions," says Mitchell.

"Partly because of trade agreements following on from WTO entry but more due to local cable systems finding that they need international programming to justify premium subscription rates."

The cable-TV market could be worth nearly

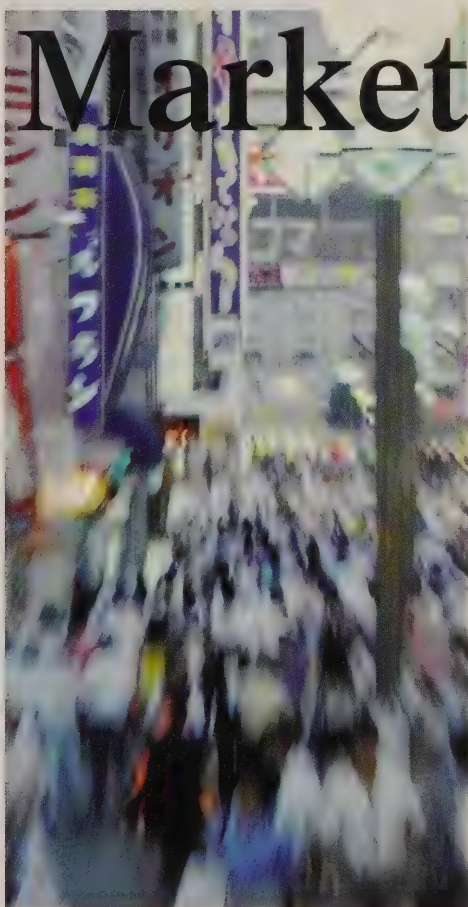
US\$3.6 billion in subscription revenue by 2005, according to KAM, a 534% growth from an estimated US\$568 million by end 2000. KAM estimates premium cable revenue at US\$885 million by 2005 with basic revenue at US\$2.7 billion.

By then, the new average revenue/subscriber/month could hit

US\$2.33.

If restrictions on international fare are removed, then it won't just be the likes of News Corp.'s 38% owned Phoenix Satellite TV and Robert Chua's CETV (now also backed by Time Warner) who rise to the challenge; waiting in the wings are CNN, MTV ESPN, Encore and others. Right now, many of their programs are carried as branded blocks by the state-owned broadcaster China Central Television (CCTV). Government regulations require that cable systems carry CCTV's channels.

The Ming dynasty ended in 1644 when the Manchus took Beijing from the north and became masters of the mainland establishing the last imperial dynasty, the Qing (1644-1911). Then the new invasion came from Western traders, missionaries, and soldiers of fortune. This time around, there won't be an international invasion of Chinese media but mainland cable lords (regulators and systems) will have to work with international technology companies, programmers and investors to create a viable business or else risk being confined to the fringes of global media. ●



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The ears have it but Disney treads softly

Disney's attention to creating a special experience for each market makes it look like the tortoise in the race. But company executives say it could win the longer race for audience share, ad dollars and subscription revenue. LESLEY BOADEN reports

In the history of media who would dispute the impact of some remarkably captivating stars: Fred Astaire's twinkling feet, Elizabeth Taylor's eyes, Tom Cruise's smile, and of course – the guy with the best ears in the business – Mickey Mouse.

With ears of such universal appeal (with due credit to 70 plus years of savvy marketing), you would expect Mickey's inventor Disney to be one media operator finding the road to globalization smooth going.

So why is the guy with the famous ears moving so softly in the Asia Pacific? For indeed Disney has taken a steady-as-she-goes approach to distributing its content in Asia.

Its rollout of channels stalled in 1997 with the recession but

steadily it has been expanding its reach.

In January 2000 it launched Disney Channel Asia in the Philippines. It is now a multi-territory feed covering several Asian countries including Malaysia, and has added Singapore and Brunei to its growing list of markets.

It will add additional markets in the next six to 18 months, according to Robin Paxton, Executive Vice President and Managing Director of Walt Disney Television International (Asia Pacific) in Hong Kong.

Disney intends to launch in China "when the market is right for us".

In fact it does have a presence in China now, which is spearheading the Disney brand equity. The locally produced *Dragon Club* show and branded timeslot, *Disney Adventures*, is seen up to twice a day in over 200 cities and provinces throughout China, distributed by more than 60 terrestrial, cable and provincial broadcasters.

Next year Asia will also see *Playhouse Disney*, a hosted block of pre-school programs already showing in Australia.

"Aided by multiplexing, it's going to be a great thing and will increase the personal communication with our viewer," Paxton declares.

Paxton moved to Disney to head broadcasting in 1997. In his latest position he oversees all aspects of free-to-air and pay TV including programming, production, distribution, marketing and new business for all Disney Studio content, ABC News and Disney Channels, as well as the Disney clubs on terrestrial networks.

Prior to joining the company,

the 18-year veteran of broadcasting was head of Carlton Communications' operation in India where he launched the Home TV Hindi entertainment channel. Before India, he was Managing Director of London Weekend Television Broadcasting.

THE DISNEY

WAY. Disney has a particular and distinctive pattern to its rollouts that differs from its rivals, Paxton explains. "Primarily" he says, "we have not wanted to roll out an Asia-wide channel" in the style of Cartoon Network. "We are not focused on occupying shelf space. Ours is a market-by-market strategy."

Disney has based itself in Hong Kong but maintains country offices in Japan, Australia, Malaysia, Taiwan and the Philippines.

The Disney Broadcasting Center in Singapore produces localized regional content.

The presence it has achieved in each market varies, ranging from the full Disney Channel, through Disney Club and a Disney-branded timeslot (see table).

Altogether Disney reaches 320 million out of a total of 470 million TV households in the Asia Pacific.

Fully localized, hosted productions through the Disney Club vehicle occur in Australia, Malaysia, China, Thailand, Japan, Hong Kong and India.

On other fronts are the two Disney Channel-specific websites: taiwan.disney.com/disneychannel and another locally produced site



Robin Paxton, Executive Vice President and Managing Director, Walt Disney Television International Asia Pacific

disney.com.au/disneychannel.

Coming soon is disneychannel-asia.com. Last November Disney announced that it would build its second theme park in Asia (and third outside the US) following the success of the Tokyo Disneyland. Hong Kong's Disneyland Park is expected to open by 2005.

TAILOR-MADE EMOTION.

"Localization means we try to make sure the Disney experience is the same for new audiences as for audiences in the home market [the US]. So marketing, programming and other aspects are carefully tailored to the new market.

"We want to produce a powerful and effective experience for our viewers," Paxton adds.

Despite his company's deliberate pace of growth in the region, Paxton has no doubt that Asia is a genuine business in the longer run for the Disney product.

Pay-TV is going through teething problems and there's

CARTOONS IN CHINA

China's *Liberation Daily* reported that the most popular cartoon characters among Chinese children were Japan's Doraemon, Mickey Mouse and Sailormoon also of Japan. Ironically, it was Walt Disney Co that turned the legendary Chinese woman general, Mulan, into a household name when it made an animated movie of her adventures. According to a market survey quoted in Singapore's *Straits Times* last month, Mulan has become the only Chinese character to make it into the hearts of Chinese cartoon lovers.

more consolidation to come.

He doubts, for example, that the Australian market can support three major players (Foxtel, Optus Television and Austar). Few channels in the region are making money, but it is the world's most populous market.

Certainly Paxton is clear that his aim is to populate the Disney Channel onto as many platforms as possible.

"We are about a premium product in a basic package. Our objective is to be as widely distributed as possible and with the growth of multiplexing and interactivity, we can begin becoming a real value proposition."

An old anomaly is that Disney has no channel in Japan. Yet Disney's cartoon characters seem to sit so perfectly with a youth culture enamoured of all things cute and where graphic comic books are the popular reading format.

"In Japan the pay-TV market is very difficult. The broadcast networks are very

d o m i n a n t . DirecTV Japan went out of business earlier this year, although cable consolidation and new digital DTH services could provide momentum in the future. However, international programming isn't necessarily a great formula in Japan. We are tailoring

our content. The kids' audience in Japan requires a certain style of entertainment."

Yet Disney has quickly plucked one ripe opportunity peculiar to Japan. It has teamed up with Japan's cell phone giant NTT DoCoMo to provide content to its i-mode Internet provider service, launched in February 1999.

I-mode subscribers (now more than 12 million) are able to access Disney screen savers, songs, news and games over their portable phones.

"Our main concern is to create a branded TV presence, a Disney environment. We have a television strategy – not a pay-TV strategy – on terrestrial," Paxton reiterates.

Paxton says Disney's market research is done inhouse and its research department is "very very good" but ultimately "you have to follow your instincts".

There are four factors to look

for, argues Paxton, and these invariably focus on regulations, programming content, operations structure and marketing.

"As a business proposition there's no country I wouldn't want to launch in," says Paxton. "It depends on the regulatory environment and whether there is a limit on foreign programming."

Most countries are in the throes of deregulating, with South Korea now allowing global media to invest up to 33% in cable and satellite, while India could soon be about to hand commercial licenses to DTH satellite service providers.

"We are aggressively wanting to launch in every market. We're considering a joint venture in South Korea. We already have a joint venture in India with KK Modi Group and we want to launch the Disney channel. We want to do it and believe we can make a channel that Indians will love."

Media reports last month indicated that Star TV in India was in discussions to distribute the Disney Channel. And Sony Entertainment Television is tipped as another potential distributor.

"It's a large cable market (28 million subscribers, according to Kagan Asia Media estimates) and I believe you can have a viable pay-TV model in India," Paxton said.

Disney's usual approach has been to launch a Disney-branded presence through blocks on free-to-air or cable channels. In China it has block programming on the state-owned national channel CCTV6.

DISNEY MAGIC. One could be forgiven for thinking that with the golden Disney brand and the company's strategy of a Disney channel for each market that delivers that singular Disney emotional experience, Disney has no cable competitors.

How could Nickelodeon (owned by

WALT DISNEY TV - ASIA PACIFIC

	Disney Channel	Disney Club	Disney Branded Timeslot
AUSTRALIA	●	●	●
MALAYSIA	●	●	●
TAIWAN	●	●	●
PHILIPPINES	●	●	●
SINGAPORE	●	●	●
BRUNEI	●	●	●
CHINA	●	●	●
THAILAND	●	●	●
INDIA	●	●	●
JAPAN	●	●	●
HONG KONG	●	●	●
NEW ZEALAND	●	●	●
KOREA	●	●	●

Source: Walt Disney Television International Asia Pacific

Viacom), or the Cartoon Network (Time Warner Inc) have anything in common with the Disney magic?

Disney chairman Michael Eisner told investors last year that Disney would seize the "physical reality of the company's unmatched assets and the emotional reality of the company's unmatched brands" by emphasizing exploitation over expansion.

Those words appear to have been heard throughout the Kingdom.

Much executive time and effort goes into coordinating the launch of a Disney movie in the region, with marketing collateral like popcorn cups, retail products, sponsorships and programming.

"It is very deep in the fabric of the Disney business to cross-promote and leverage all our assets," says Paxton.

Disney had an unspectacular FY 1999 and a modest FY 2000 thus far. It is looking for improvement and has indicated some of it will come from outside the US. Last year, more than 85% of total Disney revenue came from North America.

Kagan's analysis of the company at the end of last year forecast that Disney would benefit greatly

from a more open financial communication and breakdown of operating segments, as heralded by Eisner when he hosted the company's first ever analysts meet in November 1999.

The performance of Disney's cable networks had previously been a mystery to most analysts given the company's reluctance to provide details from its umbrella broadcasting division.

Disney's willingness to enter into joint ventures in the wake of EuroDisney is another reason for optimism.

Its beachhead into China, Hong Kong's Disneyland, will cost HK\$14.1 billion (US\$1.81 billion) (plus HK\$13.6 billion – US\$1.75 billion – in land reclamation and infrastructure costs) and is being 57% financed by Disney's joint venture partner, the Hong Kong government.

The real return from the new theme park is expected to be in the trickle-down proliferation of the Disney brand.

That's where those ears come into their own again ... ears that could surely launch a thousand channels. ●



Cable and satellite to emerge as a value proposition

A report published this month by Kagan Asia Media and the Cable & Satellite Broadcasting Association of Asia forecasts growing value in the long emerging cable and satellite industry. There won't be a transformation overnight but pay-TV is emerging as a credible business proposition in the region.

Asia's cable and satellite industries have long battled against fragmentation, limited access to capital and regulatory restrictions. Content providers have been frustrated by the refusal of service providers to introduce tiers and move on premium programming with interactivity. Service providers have had to struggle with limited funding as they move on digitalization and upgrading infrastructure.

The good news is that the regional mediascape is gradually changing as bold dealmaking, digital rollout and plant upgrade raises the prospect of digital parity with North America and Europe.

It's only the beginning. To be sure, some of the old woes remain including restrictions on international investment, piracy and under reporting of subscribers.

But the next phase of Asia media development won't be about transformation; instead, it will focus on sustainable growth and a value-led business proposition with the ongoing launch of digital services and premium TV from advanced tiers.

Both are set to bolster revenue from basic pay-TV services. And, following a broad-based economic recovery, accelerating consumption in the next business cycle will likely provide ample fuel to the industry.

A new report, *The Asia Cable & Satellite Guide 2001*, published this month by Kagan Asia Media (KAM) and the Cable & Satellite Broadcasting Association of Asia forecasts more than 149 million multichannel television homes by year-end 2000, a 32% penetration of 470 million television homes.

By 2010, there could be 294 million multichannel households, a 49% penetration of 610 million television homes.

The overall pay-TV market could be worth US\$42.3 billion in subscription revenue by 2010, a 285% increase from US\$11 billion in 2000. By then, monthly revenue per subscriber would hit US\$12, a

twofold increase from US\$6 in 2000.

COMPETING PLATFORMS.

Among the various platforms, cable remains in the ascendant but DTH satellite operators have the advantage in digital services and programming tiers.

Cable's critical mass will extend towards more than 133 million subscribers by year-end 2000 and KAM projects over 251 million customers by 2010, 85% of the market. DTH satellite subs, at 15.8 million in 2000 could reach 43.5 mil by 2010, nearly a threefold increase.

Cable-TV revenue (combined basic plus premium) could reach US\$27.2 billion by 2010 with revenue/sub/month at US\$9 by 2010, a threefold increase from US\$3 in 2000. DTH satellite revenue will reach US\$15.2 billion by 2010 (versus US\$5 billion in 2000) with rev/sub/month at US\$29.

Japan remains the largest market in revenue terms, contributing US\$17.8 bil in revenue by 2010 with DTH satellite at US\$10.5 billion and cable at US\$7.3 billion. China's critical mass of 150 mil-

lion cable subs by 2010 (the greatest in Asia) could generate US\$6.7 billion in revenue but rev/sub/mo would only be US\$3.77 versus Japan's US\$38.35. India's projected 62 million cable customers (by 2010) could generate US\$6.2 million in revenue with rev/sub/mo at US\$8.

DTH satellite services could become a reality in both India and China by 2010. The Indian government will likely introduce DTH legislation in 2001 as part of its convergence bill to regulate telecom, cable and satellite industries. KAM forecasts 5.2 million DTH satellite customers by 2010 in both India and 5.5 million in China.

UPGRADE & DIGITALIZATION. Some regional cable and satellite systems have begun to upgrade infrastructure and pour capital into broadband development and digitalization.

More than US\$4 billion in capital has capped the year-long consolidation process with global media companies investing in the nascent broadband market and

pay-TV operators moving to introduce digital set-top boxes and interactivity.

There is plenty more capital to be invested and technology to be utilized. Cable companies will have to drive fiber deeper to extract true value from their systems while DTH satellite counterparts will have to move on lower customer acquisition costs and set-top box subsidies to achieve profitability.

Currently most DTH satellite operators, led by Sky Perfect Communications in Japan and Measat in Malaysia, have built a compelling digital footprint while cable companies have yet to rollout digital services.

But leading regional cable systems are finally moving on set-top box digitalization ahead of introducing expanded tiers and interactive TV services. KAM forecasts 241 million digital pay-TV subscribers in Asia by 2010 versus 8.9 million at end 2000.

In Japan, much of the impetus will likely come from additional digital DTH services in Japan and the platform unification between digital communication satellite and analogue broadcast satellite.

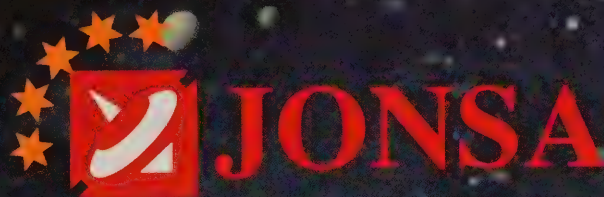
Local cable systems have also begun the expensive process of digital conversion (US\$10 million/system) and aim to complete the process by 2003 with the deadline set at 2005.

The next phase of Asia media development won't be about transformation; instead, it will focus on sustainable growth and a value-led business proposition

ASIA PACIFIC MULTICHANNEL HOUSEHOLDS (000)

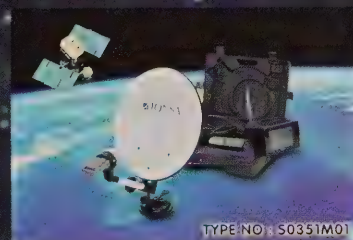
Rank	Country	2000	Rank	Country	2010
1	China	90,000	1	China	155,500
2	India	29,000	2	India	67,200
3	Japan	18,100	3	Japan	39,770
4	Taiwan	4,870	4	South Korea	10,100
5	South Korea	2,500	5	Taiwan	5,780
6	Australia	1,498	6	Philippines	4,710
7	Philippines	1,100	7	Australia	3,840
8	Malaysia	570	8	Malaysia	1,895
9	Thailand	564	9	Hong Kong	1,623
10	Hong Kong	535	10	Thailand	1,342
11	New Zealand	430	11	Indonesia	1,190
12	Singapore	250	12	Singapore	995
13	Indonesia	135	13	New Zealand	925

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ASIA PACIFIC CABLE TV SUBS (000)

Rank	Country	2000	Rank	Country	2010
1	Australia	878	1	Australia	2,460
2	China	90,000	2	China	150,000
3	Hong Kong	510	3	Hong Kong	923
4	India	29,000	4	India	62,000
5	Indonesia	50	5	Indonesia	465
6	Japan	4,000	6	Japan	16,100
7	Malaysia	135	7	Malaysia	580
8	New Zealand	205	8	New Zealand	165
9	Philippines	1,100	9	Philippines	4,210
10	Singapore	250	10	Singapore	755
11	South Korea	2,500	11	South Korea	7,800
12	Taiwan	4,780	12	Taiwan	5,260
13	Thailand	350	13	Thailand	692

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South Korea's cable operators begin conversion next year and plan to complete by 2003. In Hong Kong, dominant cable company i-CABLE Communication could spend around US\$150 million to complete a one-shot stab at set-top box digitization while SCV in Singapore is scheduled to begin offering digital services in 2002 in advance of future digital satellite services by TVB and Murdoch's Star TV.

Austar in Australia already offers digital services on its DTH satellite platform; Foxtel and Optus could begin introducing digital cable by Q4 2001.

UBC in Thailand already offers digital DTH services and next year the company plans to offer digital cable and interactive TV services using the Open TV platform.

It will be joined by Sky Network TV (DTH and MMDS) in New Zealand, which already offers premium TV and pay-per-view over its digital footprint and plans to launch an interactive offering in Q1 2001.

Taiwan's cable players are also active on the digital frontier with leading broadband contender GigaMedia planning to digitalize

cable systems passing 2.2 million homes. Investment from Murdoch's Star TV is likely to help the cause.

VALUATIONS. The value of most pay-TV systems in Asia remains modest but some have gone through the roof. In Japan, capital is pouring into broadband development at the rate of US\$10,000/sub, ahead of the US\$5,000-US\$6,000 benchmark evident in the US.

Much of the value is due to the potential upside to be had from cable's telephony and data passings and its limited 9% penetration of the 45 million TV homes in the country.

In the rest of Asia, most systems remain behind both the US and European benchmarks (Euro cable systems now fetch around US\$2,500/sub) with regional cable average at US\$1,000/subscriber and the DTH satellite average at US\$2,000/subscriber.

Two years ago, however most of the regional cable industry (but not Japan) was 10 years behind the US because of its narrowband plant.

But as capital has been invested and economies stabilized, the time gap has closed and by 2010 there

won't just be parity – some systems will take the lead with the rollout of digital video, high-speed data and telephony.

By that time, some markets could still be playing catch up. In India, leading cable enterprises fetch around US\$100-US\$200/subscriber from investors largely because of narrowband plant, poor equipment and a fragmented infrastructure.

New funding from the likes of Murdoch's Star TV and US chip maker Intel in MSOs could provide the currency required for broadband upgrade, driving fiber deeper into the ground and stretching valuations above the US\$1,000 threshold.

REGULATIONS. Access to international capital remains critical throughout the region.

Some companies like Jupiter Telecommunications (backed by Liberty Media and Microsoft)

in Japan and Austar (United-GlobalCom) in Australia have found the capital to create the scale to compete for content and technology.

But the bans (China, the Philippines, Singapore) and restrictions (caps between 33% and 49% in India, Taiwan, South Korea, Malaysia) on international investment means companies have to often rely on domestic capital.

And, as most of these players push for deregulation they are confronted with the reality that digital conversion and broadband upgrade runs into territory that domestic sources simply can't fund. Perhaps the most compelling case is evident in China where mainland cable lords want to offer video-on-demand, interactive TV and high-speed data but because of regulations are limited in their broadband design.

Some entities have listed on local stock exchanges and international market in order to gain the currency for upgrade. I-CABLE

in Hong Kong and Sky Perfect Communications in Japan are two of the more recent examples. UBC in Thailand may list on the NASDAQ exchange and could soon be joined by Measat, India's Zee Telefilms, SCV and J-Com.

In general, however, most have put their plans on hold largely due to the immense volatility of global stock markets this year.

FUTURE OPPORTUNITY. The potential of the regional pay-TV industry has been obvious for some time for the simple reason that it has been building from a small base.

KAM's estimate of 294 million multichannel homes by 2010 implies only a 49% penetration of TV households: the market won't be saturated and there remains huge prospects to go after. Beyond 2010, service providers and content creators could be looking at US\$100 billion opportunity.

Critical to the future of the industry is deregulation. The influx of international capital over the last year has been welcome but so much more is needed if Asia is to build the blue-chip media infrastructure its leaders so badly want. ●

Some of the value is due to the potential upside to be had from cable's telephony and data passings.

ASIA PACIFIC DTH SUBS (000)

Rank	Country	2000	Rank	Country	2010
1	Japan	14,100	1	Japan	23,650
2	Australia	620	2	China	5,500
3	Malaysia	435	3	India	5,200
4	New Zealand	225	4	South Korea	2,300
5	Thailand	214	5	Australia	1,380
6	Taiwan	90	6	Malaysia	1,315
7	Indonesia	85	7	New Zealand	760
8	China	0	8	Indonesia	725
9	Hong Kong	0	9	Hong Kong	700
10	India	0	10	Thailand	650
11	Philippines	0	11	Taiwan	520
12	Singapore	0	12	Philippines	500
13	South Korea	0	13	Singapore	240

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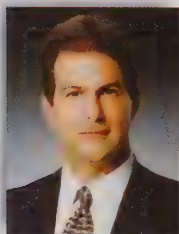
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Management moves

ESPN STAR Sports



Wayne Becker

Wayne Becker, who was formerly division Vice President at Time Warner's Starz Encore Group, is moving to Singapore to become ESPN Star Sports' Senior Vice President of programming and event management.

Becker will be responsible for ESS's programming strategy for all six ESPN and Star Sports networks in Asia and for ESS sporting events around the region. His previous experience in sports television includes Augusta National's Masters and IMG.

Pacific Century CyberWorks



David Prince

Hong Kong's telecommunications and Internet company Pacific Century CyberWorks (PCCW) announced its new Board on October 15.

The new directors are Professor **H K Chang**, **Linus Cheung**, **Dr Victor Fung**, **Robert Lerwill**, **David Li**, **David Prince**, **The Hon Raymond Seitz**, **Graham Wallace** and **Norman Yuen**, with **Richard Li** as chairman.

Nicholas Colfer and Dr Paul Cheung resigned as directors but both remain with the company, Colfer as a full-time executive and Dr Cheung as head of PCCW's research and development of innovative technologies.



Norman Yuen

Turner Entertainment Networks Asia

The creative services department of Time Warner's Turner Entertainment Networks Asia (TENA) has been restructured with several senior level appointments. The new head is **Kenneth Lam** who is also Director of Creative Services. **Mark Denton** has been promoted to Associate Creative Director and **Clare Crocombe** Associate Director of Production.

Lam was previously Director of Production and was involved in creative services for Turner's joint venture in China CETV.

(Ms) **Pinky David Jacinto** has been appointed Sales and Promotions Director, Cartoon Network Off-channel Commerce Group Asia Pacific in charge of the network's promotional licensing business and event sponsorship. David Jacinto was previously managing director of Promotional Partners Worldwide Philippines.

NDS

News Corp.'s NDS Group has appointed **Gary Zhou** as General Manager for China. The role was created to respond to the rapidly growing demand for next-generation digital entertainment and interactive TV services.

Zhou will work with Chinese partners to roll out NDS interactive TV solutions in the growing China broadband market. Before joining NDS he was President of Ancheng Digital Video Technology (Beijing) and Vice President of GYR Network Technology Com. Ltd. (Beijing).



Gary Zhou

NDS supplies open conditional access software and interactive systems for the secure delivery of entertainment and information to TVs, set-top boxes, PCs and mobile devices, and develops security solutions for broadband Internet.

Nickelodeon International



Christine Leo-McKerrow

A new position of Vice President of Channel Operations and Brand Management, Nickelodeon Asia has been taken by Nickelodeon's **Christine Leo-McKerrow**. Based in Singapore, Leo-McKerrow will be responsible for accelerating the brand's leadership and reach in Asia.

Nickelodeon, a registered trademark of Viacom's MTV Networks, is exclusively a children's brand and is seen in more than 300 million households in 149 territories. Imminent projects include Nickelodeon's launch this month on SkyPerfecTV in Japan, and expanding upon Nickelodeon's strategic partnership with India's Zee TV.

Arirang TV

Korea's Arirang TV has appointed **Nicolas Hong** as the Director of International Sales and Marketing. Hong's aim is to double the number of households that receive his channel by the end of 2001 (it had 15 million subscribers in October 2000).

Arirang launched as a regional satellite broadcaster in the Asia-Pacific in 1999 and extended its coverage worldwide in September 2000. Hong was formerly in charge of Arirang's channel distribution for Europe and has also worked with Korea's On-Media and Samsung Entertainment Group.



Nicolas Hong

Star TV

Laurie Smith is Star TV's new Executive Vice President, China, and will be responsible for overall business interest in the country. He will retain his two current positions as Chief Representative of News Corporation's Beijing Representative Office and Chief Operating Officer for News Corp. in China. Smith has held these positions for the past 18 months.



Laurie Smith



Liu Heung Shing

Working with Smith will be **Liu Heung Shing**, Star TV's new Senior Vice President for Corporate Communications for China. He will be responsible for Star's government and media relations and marketing in China. He also continues in his present post as Executive Vice President, Corporate Communications in News Corp., China.

Telstra Saturn

Jason Hollingworth is the new Chief Financial Officer of Telstra Saturn, part of New Zealand-based phone, cable-TV and Internet company Saturn Communications.

Saturn Communications is 50:50 owned by Telstra Corp. and Australian-listed Austar United Communications (72% owned by Denver-based broadband giant UnitedGlobalCom).

Hollingworth was previously with Ngai Tahu Holdings Corporation (where he managed the tribe's \$350 million asset base) and AsiaPower Developments (where he developed private power projects in Asia).

Singapore Cable Vision

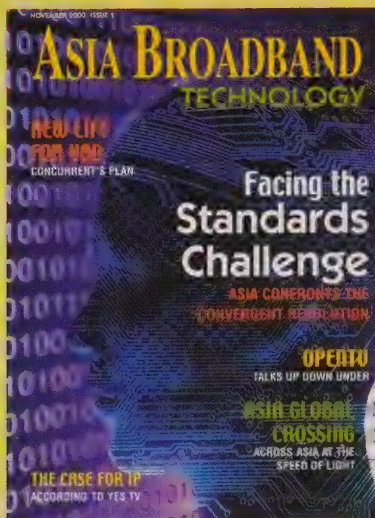
There has been a spate of promotions at Singapore Cable Vision (SCV), the nation's only cable-TV network, with 235,000 subscribers.

Philip Tan is now Executive Vice-President (Operations). Tan, who joined the company in 1998, was instrumental in ensuring SCV operations and systems were Y2K ready last year.

(Ms) **Tham Loke Kheng** who becomes Senior Vice President (Sales and Marketing) continues her work of providing strategic direction and leadership to the marketing team.

Thomas Ee, as Senior Vice-President (Broadband Engineering Services), will also continue his oversight of network operations, MaxOnline product management and technologies for future services such as digital and interactive TV.

For those confused by bits and bytes...



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(Please ✓ one only)

Job Title: _____

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Company: _____

☐ B Technical/Engineering (Manager, Engineer, Technician, Operations Staff)

Address: _____

☐ C Corporate Management (CEO, Chairman, Owner, President, Partner)

☐ D Operations Management (VP, Director, General Manager)

☐ E Others (Please specify) _____

Postcode: _____

Which of the following best describes your firm's primary business activities? (Please ✓ one only)

Country: _____

☐ 01 Broadband Content/Access Provider

☐ 02 Cable Operator

☐ 03 Satellite Broadcaster

☐ 04 Program Network -Satellite Delivered

☐ 05 Wireless Cable Operator

☐ 06 Telecom Service Provider

☐ 07 Broadcast TV Network

Tel: _____

Fax: _____

Email: _____

☐ 08 New Media Companies (includes ISPs, Online, New Media, Print)

☐ 09 Cable Equipment Supplier

☐ 10 Cable Equipment Manufacturer

☐ 11 Networking Solutions/Provider

☐ 12 Software Solutions/Provider

☐ 13 Satellite Equipment Supplier

☐ 14 Satellite Equipment Manufacturer

☐ 15 Telecom Equipment Manufacturer/Distributor

☐ 16 Computer Company (hardware/software)

☐ 17 Advertising Agency, Public Relations Firm

☐ 18 Cable/Satellite Investors, Financial Institutions, Brokers or Consultant

☐ 19 Government Agencies, Law Firm or Industrial Associations

☐ 20 Others (please specify) _____

Please describe your primary function within the decision making process of your company.
(Please ✓ one or more)

☐ 21 Approve

☐ 22 Recommend

☐ 23 Specify

☐ 24 Request

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ACeS brings satellite telephony to Asia

Indonesia's Pasifik Satelit Nusantara (PSN) September 27 launched its commercial Asia cellular satellite network service (ACeS) in Asia.

ACeS is a satellite-based mobile telecommunications system designed for the Asia-Pacific. PSN is the largest investor in ACeS. Other investors include Philippine Long Distance Telephone Co., Jasmine International (Thailand) and Lockheed Martin Global Telecommunications.

The ACeS service was introduced in eight Asian countries and ACeS has signed 47 international roaming agreements with GSM operators in 27 countries worldwide.

During a conference call last month, PSN executives said that a "geometrical" anomaly on the antennas for its Garuda-1 satellite would reduce ultimate capacity. They confirmed however that this would have no impact on expansion of the service.

The reasoning: because the anomaly only affects ultimate capacity, its impact will not be felt until well after the company's business plan succeeds.

LIQUIDITY. Moreover, more than US\$70 million in insurance proceeds could give PSN liquidity, as well as additional flexibility, in marketing and aggressively pricing the ACeS service during its commercial launch over the next 6-12 months. The balance of the proceeds will likely be used to pay deferred insurance premiums. Proceeds from insurance could be received as early Q1 2001.

During Q2 2000, PSN report-

ed revenues of US\$1.79 million, down 6% from US\$1.91 million in Q2 99, largely due to lower transponder leasing revenue. Operating losses of US\$3.4 million were higher than US\$1.3 million last year because of higher direct operating costs and higher SG&A resulting from the preparation of launching ACeS.

ROLLOUT PROGRESS. More than 100,000 calls have been made on the ACeS system. To the test viability and robustness, terrestrial mobile-to-handset, handset-to-handset and fixed line-to-handset calls have been made. The commercial service will spread over both fixed and mobile markets.

To meet the demand for fixed phones, ACeS has contracted Ericsson to build modified satellite mobile phones to use as fixed terminals. The company had 300-1,000 units in the distribution pipeline at commercial launch and Ericsson has committed to have as many as 10,000 units by year-end 2000.

To meet mobile demand, ACeS has contracted Ericsson to build the R190 Ericsson Handphone for Mobile Voice and Data. The phone is being built with GSM specifications but also incorporates a satellite mode built into the GSM chip and includes a snap on the satellite antenna.

Ericsson has committed to have 4,500 handsets in the hands of users upon launch; 11,000 by the end of this month and a run rate of 20,000 per month thereafter. According to the company, there should be as many as 59,000 handsets

available by end 2000.

DISTRIBUTION. ACeS has already established a network of eight National Service Providers (NSPs) with talks underway with other companies.

In line with its strategy to market and distribute the ACeS handset as a GSM phone with a satellite mode, the company has signed up four distributors in Indonesia who distribute more than 80% of GSM

handsets sold in the country.

Additionally, ACeS has signed up over 18 independent distributors of fixed terminals. Ericsson will also be distributing the ACeS GSM phone on an informal basis in certain major markets where its distribution is well established including Singapore and

Hong Kong.

According to PSN, its Indonesian distributors alone have committed to more than 40,000 handsets and to purchasing more than US\$4 million of prepaid SIM cards for the first four months after operation. It is also extending distribution into markets such as China. Currently ACeS has a roaming agreement with China Telecom.

At commercial launch, ACeS had more than 500 customers, 300 of whom are PSN subscribers. It has already sold more than 1,200 handsets and has sufficient numbers of subscriber service cards needed to activate phones following commercial launch. Brokerage Merrill Lynch forecasts ACeS will add around 30,000 net customers by year-end 2000, climbing to 280,000 by end 2001 and to 2.3 million by 2005.

FUTURE GROWTH. ACeS will soon launch a second satellite, Garuda 2, which could be used as an in-orbit spare if Garuda 1 fails, or as an extension of capacity. It

will also likely be used to extend the ACeS system's footprint to Central and West Asia, Eastern Europe and parts of Northern Africa.

In the long term, ACeS could also become a vehicle for Lockheed Martin's satellite services venture (LMGT) to expand mobile voice and data services globally.

Another project that could become reality is the M2@ project. PSN created Multi Media Asia Indonesia (MMAI) in January 1997 for the purpose of developing, financing and implementing a system that would deliver multimedia and digital communications directly to fixed locations.

Customers for the M2@ project would include subscriber homes, businesses and other fixed locations via dedicated geosynchronous satellite. Telephone, fax, data and DTH TV services would be provided through one M2@ terminal. In April 1997, Indosat purchased 26.7% of the outstanding shares of MMAI for US\$20 million. PSN owns the remainder of MMAI.

The M2@ system would be comprised of five main components, similar to the ACeS system. Space Systems/Loral was contracted to construct the satellite. In December 1997, MMAI signed a US\$115 million contract with Alcatel Telespace for the design and supply of the gateways and the initial 1,000 subscriber terminal units.

By year-end 1997, MMAI had paid around US\$78 million to SS/Loral and Alcatel. MMAI has also signed agreements with national service providers in Pakistan, India and Bangladesh.

Due to the economic crisis in 1998, MMAI asked SS/Loral to stop work on the satellite, which had been scheduled for delivery in Q1 1999.

More recently however, PSN has indicated that talks might be reinitiated with SS/Loral and Alcatel. With pre-commercial funding needs of up to US\$230 million, PSN is currently seeking a strategic investor willing to inject up to US\$200 million to kick-start the project. ●

ACES NATIONAL SERVICE PROVIDERS (NSPS)

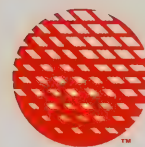
Country	NSP
Indonesia	PSN
Philippines	PLDT
Thailand	Jasmine International
India	Shyam Telecom
Pakistan	Arfeen International
Bangladesh	Technology Liaison Corp.
Taiwan	Asia Satellite Telecom
Sri Lanka	MTN Networks

Source: PSN



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Asia's Pay-TV Operators

(Ranked alphabetically by market)

Operator	Market	Platform	Basic Subscribers (000)	% Share of Pay-TV Market
Foxtel	Australia	Cable / DTH	635	50
Austar United	Australia	MMDS / DTH	406	32
C&W Optus	Australia	Cable	217	17
Shanghai Cable	China	Cable	3,200	4
Beijing Cable	China	Cable	2,100	3
Guandong Cable	China	Cable	1,300	2
i-CABLE Communications	Hong Kong	MMDS/ Cable	480	100
Siticable	India	Cable	5,000	18
IN Cablenet	India	Cable	4,500	16
Hathway	India	Cable	2,500	9
Asianet	India	Cable	320	1
RPG Netcom	India	Cable	290	1
Indovision	Indonesia	DTH	60	69
TV Kabel (Kabelvision)	Indonesia	Cable	30	31
Sky PerfectTV	Japan	DTH	2,300	23
Jupiter Telecom	Japan	Cable	882	9
Tomen Mediacom	Japan	Cable	250	3
Tokai Cable	Japan	Cable	136	1.3
Tokyu Cable	Japan	Cable	70	0.7
Astro	Malaysia	DTH	390	85
Sky Network Television	New Zealand	DTH/UHF	392	95
Telstra-Saturn	New Zealand	Cable	21	5
SPTV	Pakistan	Cable	30	58
Sky Vision	Philippines	Cable	360	38
Home Cable	Philippines	Cable	160	17
Destiny Cable	Philippines	Cable	75	8
Singapore CableVision	Singapore	Cable	235	100
C&M Communications	South Korea	Cable	560	22
United Communications Group	Taiwan	Cable	1,600	33
Eastern Multimedia Group	Taiwan	Cable	1,350	28
Pacific Digital Media	Taiwan	DTH	40	1
United Broadcasting Corp	Thailand	Cable/DTH	341	23

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Media stocks continue to take a beating

Kagan's new averages, tracking broadcast, pay-TV and Internet media stocks show a depressed regional sector. But most of these companies could be bargain buys for those who believe in Asia's digital future.

Kagan's Asia Media Averages, which have tracked price movements since February 1997, made their debut in ACSW in March this year with the Japan and Australian averages.

In this issue, we introduce our regional averages covering public companies across broadcast TV, pay TV and Internet media platforms with stock movements converted to US currency. Our Japanese and Australian averages remain, hosting such media giants as Softbank, News Corporation and Publishing & Broadcasting Ltd. For news and analysis of our new Internet Media Average, check out our Online Special on page 26.

The good news is that these new averages will provide a road map for broad-based analysis of publicly held media stocks in the region. The bad news

is that all our averages have been stampeded down through most of the year as investors have pummeled stocks because of concerns on capital expenditure programs, competition from rival players and most often just pure play sentiment. So when US technology companies miss their Q3 estimates by a fraction and CNBC's Dan Rather cries out "What a disaster" it takes most of the Nikkei 225 down to 52-week lows and sweeps along commercial broadcasters and cable and satellite plays in the downtrend.

The bottom line: most media stocks have been priced to perfection. Therefore, the news of technology glitches, lower quarterly earnings and competitors isn't welcome for investors who want to unload anything they feel can't deliver in the short term.

Subsequently, investors are missing out on the most dynamic

phase of Asia media development because media companies are at the dawn of a new-generation technology cycle and are moving to acquire a competitive edge with new rollouts and alliances.

The regional pay-TV average has suffered the most. It comprises the region's leading cable and satellite service providers including i-CABLE Communications, Sky Network TV, United Broadcasting Corporation, Sky Perfect Communications and Zee Telefilms.

The average is down 50% for

Murdoch's Star TV, Taiwan's Pacific Digital Media and local behemoth TVB all plan to launch satellite-based TV services next year over a digital footprint with plans for interactive TV from expanded tiers. Each plans to charge a basic rate between US\$15-US\$25 and it is likely that i-CABLE will have to slash its current US\$36/month charge in order to remain competitive.

i-CABLE is currently trading on the Hong Kong Stock Exchange (see page 59) at US\$1,550/subscriber, ahead of the regional average of US\$1,000 but way behind the US cable MSO average of US\$3,000/sub.

Thailand's United Broadcasting Corp.'s depressed stock continues its downward slide, down 25% for the month and 72% for the year. That's despite positive news on narrowing losses, expected cash flow breakeven in Q4 2001 and plans to roll out

Thailand's first interactive TV service next year, using the Open TV platform. At the end of Q2 2000 this year, the company had

analogue set-top boxes. The company needs US\$80 million to fund the process.

Japan's digital DTH giant Sky Perfect Communications made a poor debut on the Tokyo Stock Exchange on October 20 (down 20%) and closed October 31 at US\$1864, down 41% since its IPO. The company is trading at US\$1,860/subscriber. DTH counterpart Sky Network TV is trading at US\$1,590/sub ahead of interactive rollout next year. Australia's DTH star Austar United is trading at a sky high (for the region) US\$2,500/sub with broadband interactive services growing in strength throughout regional Australia.

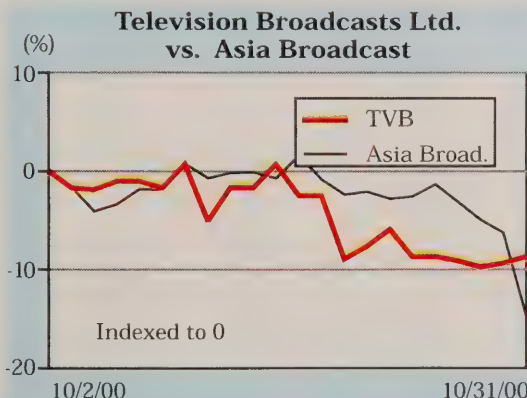
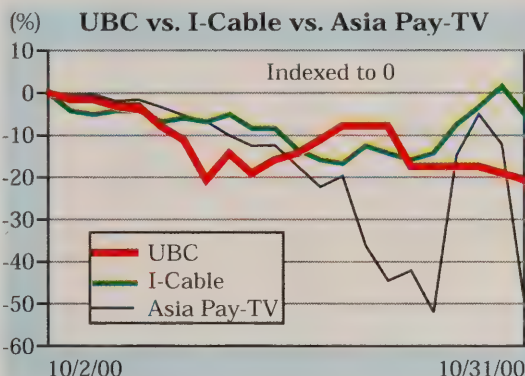
Kagan's Asia Broadcast TV Average comprises blue-chip commercial broadcasters (TVB, Fuji TV, NTV, TBS, Seven Network, Ten Network, BEC World, ABS-CBN) with emerging companies like China-focused Phoenix Satellite TV.

The Broadcast Average is down 14% for the month and 18% for the year with Japan's Fuji TV suffering the most (down 15% for the month and 19% year-to-date) and Thailand's BEC World down more than 33% year-to-date.

Hong Kong's TVB is down 20% for the year to US\$5.48 (October 31) and is trading at 23x run-rate EBITDA, behind Fuji TV's soaring 35x multiple but ahead of BEC World's 13x multiple.

The emerging broadcaster, China-orientated PSTV closed October 31 +68% from its IPO price and although it's down 8% for the month, further momentum could

come from the launch of additional channels, higher ad rates and possible migration to a pay-TV platform. ●



the month (to October 31) and 81% for the year. Hong Kong's i-CABLE Communications has seen its ADRs plunge 72% this year on the NASDAQ to US\$7.13 from US\$25.06 at the start of the year. Despite the growing success of its broadband rollout since March (20,000 customers/month), plans for a one-shot stab at digitalization next year and a growing video base (more than 480,000 subscribers), investors still remain concerned about the impact of rival DTH services and how much i-CABLE will need to upgrade its plant to offer digital (KAM's estimate is around US\$150 million) and VOIP (at around US\$2000/home for its 1.7 million homes passed).

more than 340,000 customers across its cable and DTH platforms. The biggest cost of interactivity will be the replacement of

Asian markets

ASIA PAY TV AVERAGE (US\$)

	Country	Close			Mo. % Chg.		YTD % Chg.
		12/31/99	9/29/00	10/31/00			
Sky Network TV	New Zealand	3.15	3.41	3.10	-	-	1.6
Sky Perfect Comm. @	Japan	3121.65	—	1846.41	-	-	40.9
Austar	Australia	4.01	2.25	2.00	-	11.4	50.2
i-CABLE Comm. ADR	US	25.06	7.38	7.13	-	3.4	71.6
United Broadcasting	Thailand	1.01	0.39	0.28	-	27.3	71.7
Zee Telefilms	India	25.09	9.75	6.19	-	36.5	75.3
Asia Pay TV Average		52.92	19.71	9.86	-	50.0	81.4

ASIA BROADCAST AVERAGE (US\$)

	Country	Close			Mo. % Chg.		YTD % Chg.
		12/31/99	9/29/00	10/31/00			
Phoenix Satellite TV @	Hong Kong	0.14	0.25	0.23	-	7.6	68.0
TBS	Japan	33.75	40.23	39.22	-	2.5	16.2
Seven Network	Australia	3.41	4.06	3.76	-	7.4	10.1
Ten Network	Australia	1.33	1.37	1.34	-	2.6	0.4
NTV	Japan	585.31	574.26	564.95	-	1.6	3.5
Sistem Televisyen	Malaysia	0.51	0.42	0.44	+	7.0	12.9
Asahi National Bcstg. @	Japan	3902.06	—	3196.77	-	-	18.1
Fuji TV	Japan	13657.20	12946.18	11023.33	-	14.9	19.3
TVB	Hong Kong	6.82	6.00	5.48	-	8.8	19.7
BEC World	Thailand	7.10	5.08	4.69	-	7.6	33.9
ABS-CBN	Philippines	1.24	0.93	0.75	-	19.8	39.9
Asia Broadcast Avg.		1588.52	1508.74	1296.57	-	14.1	18.4

@ 12/31/99 price is start of 2000 trading; Asahi 10/3, Phoenix Satellite 6/29.

ASIA INTERNET AVERAGE (US\$)

	Country	Close			Mo. % Chg.		YTD % Chg.
		12/31/99	9/29/00	10/31/00			
tom.com @	Hong Kong	0.23	0.49	0.41	-	16.9	79.2
Renren	Hong Kong	0.02	0.01	0.01	-	8.3	47.4
AsialInfo Holdings @	US	24.00	18.94	12.13	-	36.0	49.5
SPH AsiaOne Limited @	Singapore	0.36	0.18	0.16	-	12.0	55.7
Rediff.com @	US	12.00	7.31	5.06	-	30.8	57.8
Sina.Com @	US	17.00	14.13	6.97	-	50.7	59.0
Trend Micro	Japan	251.68	134.18	94.62	-	29.5	62.4
Sunevision Holdings @	Hong Kong	1.34	0.71	0.49	-	31.1	63.3
Pacific Century CyberWorks	Hong Kong	2.33	1.13	0.77	-	31.8	67.0
ecorp	Australia	2.50	0.98	0.82	-	15.6	67.0
Chinadotcom	US	39.31	13.31	10.13	-	23.9	74.2
Sohu.com @	US	13.00	5.81	3.03	-	47.8	76.7
Netease.com @	US	15.50	5.44	3.50	-	35.6	77.4
Hongkong.com @	Hong Kong	0.24	0.07	0.05	-	27.6	77.7
Satyam Infoway	US	38.75	13.56	7.81	-	42.4	79.8
Softbank Corp.	Japan	318.02	93.40	60.17	-	35.6	81.1
Gigamedia @	US	27.00	8.06	4.88	-	39.5	81.9
Daum Comm.	South Korea	169.82	52.19	26.69	-	48.9	84.3
Pacific Internet	US	46.94	9.81	6.63	-	32.5	85.9
Spike Networks	Australia	1.31	0.20	0.13	-	31.0	89.7
Korea Thrunet	US	67.88	5.88	6.44	+	9.6	90.5
Hikari Tsushin	Japan	1999.80	38.38	16.99	-	55.7	99.2
Asia Internet Average		493.86	56.27	36.29	-	35.5	92.7

@ 12/31/99 price is start of 2000 trading; AsialInfo 3/3, AsiaOne 6/5, Gigamedia 2/18, Hongkong.com 3/9.

STOCKS TRADED OUTSIDE ASIA

Company Name	52-Week		Close		Mo. % Chg.*	YTD % Chg.	Mkt. Cap (mils.)	Close		YTD % Chg.
	High	Low	Dec 31 '99	Oct 31 '00				Dec 31 '99	Sep 26 '00	
British Stocks										
Pearson &	2375	1210	1789	1849	- 1.6	+ 3.3	14,718.0	28.95	26.77	- 7.6
Granada Media @	694.00	345.00	515	401	- 11.1	- 22.1	6,015.0	8.33	5.81	- 30.3
U.S. Stocks										
			U.S. \$ Prices					U.S. \$ Prices		ND
Group ADR	104.88	26.00	30.50	75.00	- 2.6		3,926.3	30.50	75.00	+ 145.9
Disney &	43.88	23.38	29.25	35.81	- 6.4		74,655.0	29.25	35.81	+ 22.4
News Corp. ADR	67.00	29.44	38.25	43.00	- 23.3		40,623.1	38.25	43.00	+ 12.4
Time Warner &	105.50	57.51	72.31	75.91	- 3.1		100,462.5	72.31	75.91	+ 5.0
China Unicom ADR @	28.75	18.00	19.99	20.50	- 6.0		25,733.7	19.99	20.50	+ 2.6
Crown Media @	18.38	10.00	14.00	13.88	- 2.2		832.8	14.00	13.88	- 0.9
Viacom A &	76.06	43.44	60.44	57.25	- 4.2		86,309.5	60.44	57.25	- 5.3
Viacom B &	75.88	42.75	60.44	56.88	- 2.8		86,309.5	60.44	56.88	- 5.9
APT Satellite ADR	9.25	3.13	4.63	4.25	+ 4.6		228.1	4.63	4.25	- 8.1
America Online	95.81	37.00	75.88	50.50	- 5.9		117,367.7	75.88	50.50	- 33.4
Liberty Media A &	30.72	13.50	28.41	18.00	- 0.3		46,552.7	28.41	18.00	- 36.6
Asia Satellite ADR	45.94	17.88	35.00	21.00	- 16.0		3,197.4	35.00	21.00	- 40.0
Liberty Media B &	36.56	15.50	34.38	19.50	+ 4.0		46,552.7	34.38	19.50	- 43.3
AsialInfo Hldgs. @	111.19	10.75	24.00	12.13	- 36.0		482.2	24.00	12.13	- 49.5
AT&T	61.00	21.25	50.81	23.19	- 20.0		87,094.6	50.81	23.19	- 54.4
UnitedGlobalCom &	114.63	20.25	70.63	31.81	+ 6.0		3,064.7	70.63	31.81	- 55.0
Rediff.com India @	28.00	3.75	12.00	5.06	- 30.8		129.6	12.00	5.06	- 57.8
SINA.com @	58.56	5.50	17.00	6.97	- 50.7		285.3	17.00	6.97	- 59.0
PT Pasifik Satellit ADR	43.13	4.88	15.00	6.00	- 48.4		n/a	15.00	6.00	- 60.0
Pac. Cent. Cyberworks ADR @	20.00	7.19	19.63	7.81	- 29.0		16,346.1	19.63	7.81	- 60.2
OpenTV	245.75	20.00	80.25	26.88	- 19.2		2,183.1	80.25	26.88	- 66.5
i-CABLE Comm. ADR	37.50	6.00	25.06	7.13	- 3.4		736.1	25.06	7.13	- 71.6
Chinadotcom &,++	78.00	6.00	39.31	10.13	- 23.9		996.0	39.31	10.13	- 74.2
Internet Initiative	132.81	24.50	97.19	25.00	- 39.2		1,099.5	97.19	25.00	- 74.3
Sohu.com @	13.78	3.00	13.00	3.03	- 47.8		94.6	13.00	3.03	- 76.7
Netease.com @	17.25	3.25	15.50	3.50	- 35.6		105.4	15.50	3.50	- 77.4
China Broadband ADR @@	80.00	1.00	9.00	1.88	- 50.0		44.1	9.00	1.88	- 79.2
Satyam Infoway	113.00	6.75	38.75	7.81	- 42.4		695.3	38.75	7.81	- 79.8
Gigamedia Ltd. @	91.00	4.31	27.00	4.88	- 39.5		244.5	27.00	4.88	- 81.9
Pacific Internet	79.00	5.00	46.94	6.63	- 32.5		83.8	46.94	6.63	- 85.9
Asiacontent.com @	15.94	1.00	14.00	1.88	- 33.3		64.4	14.00	1.88	- 86.6
Korea Thrunet	84.00	3.50	67.88	6.44	+ 9.6		463.2	67.88	6.44	- 90.5
Crayfish @	166.00	1.13	24.50	1.56	- 53.7		79.6	24.50	1.56	- 93.6
MyWeb Inc.com	30.13	0.50	27.00	1.56	+ 4.2		17.4	27.00	1.56	- 94.2

Note: US \$ calculated using exchange rates figured to at least four decimal places before rounding. Price shown reflects last trade as of date shown. US \$ percent changes reflect currency and \$ equivalent gain/loss. & Adjusted for stock split/rights issue. * % Chg 8/31/00 (not shown) to 9/26/00, in local currency. ** May also be traded in US as ADRs. ++ Formerly China.com. @@ Formerly China Prosperity International. @ Price at start of 2000 trading: Asiacontent.com 4/12, China Unicom 6/21, Crayfish 3/8, Crown Media 5/4, Gigamedia 2/18, Granada Media 7/11, Netease 6/30, Pacific Century 8/22, Rediff.com 6/14, SINA 4/13, Sohu.com 7/12.

ASIA MEDIA STOCKS: PERFORMANCE AND FUNDAMENTALS

	—52-Week—		—Close—		Mo. %	YTD %	—Close—		YTD %			
Company Name	High	Low	Dec 31 '99	Sep 26 '00	Chg.*	Chg.	Mkt Cap (mils)	Dec 31 '99Oct 31 '00	Chg.			
Australian Stocks												
Australian \$ Prices					U.S. \$ Prices							
Seven Network Ltd. +	8.15	4.48	5.20	7.25	-	3.0	+	39.4	1,870.6	3.41	3.76	+ 10.1
News Corp. & **,+	28.00	11.32	14.79	20.18	-	22.4	+	36.4	78,339.8	9.71	10.46	+ 7.7
Ten Network Holdings +	2.76	1.91	2.03	2.58	+	1.9	+	27.1	982.5	1.33	1.34	+ 0.4
Publishing & Bcstg. Ltd. +	16.87	9.20	11.63	13.17	-	1.7	+	13.2	8,582.2	7.64	6.83	- 10.6
John Fairfax Holdings +	6.24	3.80	4.60	4.38	-	6.8	-	4.8	3,201.1	3.02	2.27	- 24.8
Telstra Corp. **, +	9.16	5.62	8.28	6.30	+	4.2	-	24.0	40,424.1	5.44	3.26	- 40.0
Wavenet International @	1.65	0.21	1.00	0.73	+	12.3	-	27.0	8.0	0.66	0.38	- 42.4
Austar +	9.90	3.80	6.10	3.85	-	7.2	-	36.9	1,924.5	4.01	2.00	- 50.2
ecorp Limited	8.60	1.58	3.81	1.59	-	11.7	-	58.3	335.7	2.50	0.82	- 67.0
Isis Communications +	2.65	0.16	0.95	0.30	-	31.4	-	68.9	26.6	0.62	0.15	- 75.5
Chaosmusic Limited	1.57	0.22	1.07	0.23	-	35.7	-	79.0	5.2	0.70	0.12	- 83.4
Spike Networks Ltd.	3.99	0.20	2.00	0.26	-	27.8	-	87.0	11.6	1.31	0.13	- 89.7
Hong Kong Stocks												
Hong Kong \$ Prices					U.S. \$ Prices							
China Data Broadcasting & @	4.30	1.22	0.32	3.43	-	2.8	+	970.3	1,089.2	0.04	0.44	+ 967.0
tom.com @	15.35	2.80	1.78	3.20	-	16.9	+	79.8	10,148.6	0.23	0.41	+ 79.2
Phoenix Satellite TV @	2.38	1.02	1.08	1.82	-	7.6	+	68.5	8,821.6	0.14	0.23	+ 68.0
Legend Holdings **	17.50	2.00	4.83	6.60	-	10.8	+	36.8	49,271.0	0.62	0.85	+ 36.4
Golden Harvest Ent.	2.40	0.60	0.65	0.82	-	7.9	+	26.2	656.7	0.08	0.11	+ 25.8
China Mobile **	80.00	26.30	48.60	50.25	-	2.9	+	3.4	688,759.8	6.25	6.44	+ 3.1
APT Satellite **	9.00	3.10	4.23	4.28	+	1.8	+	1.2	1,778.8	0.54	0.55	+ 0.9
Hutchison Whampoa **, &	139.55	69.32	102.73	96.75	-	6.5	-	5.8	412,481.2	13.22	12.41	- 6.1
TVB **	85.25	40.60	53.00	42.70	-	8.8	-	19.4	18,702.6	6.82	5.48	- 19.7
So. China Morning Post **	9.00	5.00	6.70	5.35	-	10.1	-	20.1	9,271.3	0.86	0.69	- 20.4
Asia Satellite **	37.40	13.80	24.55	15.80	-	16.8	-	35.6	6,166.1	3.16	2.03	- 35.8
Shaw Brothers Ltd.	13.50	5.00	9.05	5.25	-	13.9	-	42.0	2,091.5	1.16	0.67	- 42.2
Prosper Evison Ltd. ++	6.40	1.45	3.28	1.89	+	8.6	-	42.3	1,039.8	0.42	0.24	- 42.5
Renren	1.50	0.04	0.13	0.07	-	8.3	-	47.2	496.5	0.02	0.01	- 47.4
Sunevision Holdings @	17.45	3.15	10.38	3.83	-	31.1	-	63.2	7,822.1	1.34	0.49	- 63.3
Pacific Century CyberWorks **	28.50	5.65	18.10	6.00	-	31.8	-	66.9	127,456.9	2.33	0.77	- 67.0
i-CABLE Comm. **	16.70	2.40	10.55	2.85	-	5.0	-	73.0	5,739.9	1.36	0.37	- 73.1
TCL International Holdings	7.55	1.24	5.45	1.27	-	23.0	-	76.7	3,055.1	0.70	0.16	- 76.8
Hongkong.com @	9.10	0.36	1.88	0.42	-	27.6	-	77.7	1,720.3	0.24	0.05	- 77.7
Indian Stocks												
Rupee Prices					U.S. \$ Prices							
TV Eighteen India Ltd. @	2330.00	390.00	180.00	468.20	+	0.3	+	160.1	5,123.0	4.13	10.04	+ 142.8
Zee Telefilms &	1630.00	275.00	1092.80	288.70	-	35.7	-	73.6	119,090.2	25.09	6.19	- 75.3
Indonesian Stocks												
Rupiah Prices					U.S. \$ Prices							
Bimantara Citra	2175	825	1650	875	-	90.4	-	47.0	889,874.9	0.23	0.09	- 59.6
PT Multipolar	1575	275	1225	370	-	5.1	-	69.8	692,554.1	0.17	0.04	- 77.0
Japanese Stocks												
Yen Prices					U.S. \$ Prices							
Nippon Broadcasting &	10355	3255	4450	6120	+	1.7	+	37.5	200,736.0	43.41	56.22	+ 29.5
JSAT Corp. @	1520000	850000	700000	885000	-	23.7	+	26.4	339,091.8	6828.60	8129.71	+ 19.1
Tokai Corp. +	1390	510	580	724	-	20.0	+	24.8	54,843.3	5.66	6.65	+ 17.5
Tokyo Broadcasting +	6250	2680	3460	4270	-	1.8	+	23.4	746,869.9	33.75	39.22	+ 16.1
Asahi Broadcasting +	14500	8400	9000	10600	-	2.8	+	17.8	38,160.0	87.80	97.37	+ 10.9
Nippon TV &, +	93500	44750	60000	61500	-	1.0	+	2.5	1,559,886.0	585.31	564.95	- 3.5
Chubu Nippon Bcstg.	1337	900	1000	1010	-	8.2	+	1.0	26,664.0	9.76	9.28	- 4.9
Toshiba Corp. +	1280	635	780	780	-	10.4	0.0	0.0	2,510,831.0	7.61	7.17	- 5.8
Sumitomo +	1401	742	991	960	+	2.3	-	3.1	1,021,885.0	9.67	8.82	- 8.8
Itochu **, +	625	385	509	465	-	7.2	-	8.6	662,805.6	4.97	4.27	- 14.0
Asahi National Bcstg. +, @	400000	324000	400000	348000	-	13.0	-	13.0	350,088.0	3902.06	3196.77	- 18.1
Fuji Television +	2930000	852000	1400000	1200000	-	14.3	-	14.3	1,288,800.0	13657.20	11023.33	- 19.3
Sky Perfect Comm. @	320000	171000	320000	201000	-	37.2	-	37.2	449,659.7	3121.65	1846.41	- 40.9
Yahoo Japan &	41975000	9300000	22850000	9400000	-	29.9	-	58.9	1,098,907.0	222905.09	86349.44	- 61.3
Trend Micro	33000	9100	25800	10300	-	29.0	-	60.1	673,148.9	251.68	94.62	- 62.4
Softbank Corp. &, **, +	66000	6320	32600	6550	-	35.1	-	79.9	2,168,442.0	318.02	60.17	- 81.1
Hikari Tsushin	241000	1610	205000	1850	-	55.4	-	99.1	57,324.1	1999.80	16.99	- 99.2
Malaysian Stocks												
Ringgit Prices					U.S. \$ Prices							
Time Engineering	6.40	0.89	1.45	3.02	+	2.0	+	108.3	2,254.2	0.38	0.79	+ 108.3
Sistem Televisyen &	5.40	1.49	1.94	1.69	+	7.0	-	12.9	287.8	0.51	0.44	- 12.1
Malayan Utd. Indust. &	1.15	0.40	0.85	0.46	+	5.8	-	46.2	882.9	0.22	0.12	- 46.2
New Zealand Stocks												
New Zealand \$ Prices					U.S. \$ Prices							
Sky Network TV **	5.20	2.84	3.15	3.10	-	9.1	-	1.6	1,195.7	1.64	1.22	- 25.6
Telecom of N.Z. **	9.81	5.15	9.00	5.60	-	8.5	-	37.8	9,830.3	4.69	2.21	- 52.9
Philippine Stocks												
Peso Prices					U.S. \$ Prices							
ABS-CBN Broadcasting	67.00	35.00	50.00	38.50	-	10.5	-	23.0	30,014.0	1.24	0.75	- 39.9
Philippine Long Distance	1100.00	660.00	1025.00	775.00	-	4.3	-	24.4	130,567.4	25.47	15.03	- 41.0
Benpres Holdings &	9.10	2.36	6.10	2.55	-	32.9	-	58.2	11,663.2	0.15	0.05	- 67.4
Singapore Stocks												
Singapore \$ Prices					U.S. \$ Prices							
Singapore Telecom **	3.62	2.17	3.44	2.91	+	7.0	-	15.4	44,883.3	2.06	1.66	- 19.7
Singapore Press Hldgs.	37.20	22.80	36.10	25.10	-	3.8	-	30.5	9,208.8	21.67	14.29	- 34.0
SPH AsiaOne Limited @	0.61	0.20	0.60	0.28	-	11.1	-	53.3	321.4	0.36	0.16	- 55.7
South Korean Stocks												
Won Prices					U.S. \$ Prices							
Kabool Co. &	4430	890	1650	2090	-	25.2	+	26.7	6,386.6	1.45	1.84	+ 26.8
Samsung Aerospace	14750	3240	10800	3400	-	32.0	-	68.5	290,700.0	9.49	2.99	- 68.5
Cheil Jedang Corp. &	113262	30300	109500	33300	-	17.6	-	69.6	728,670.6	96.22	29.29	- 69.6
Daum Comm.	298000	5600	193250	30350	-	47.9	-	84.3	372,350.8	169.82	26.69	- 84.3
Taiwanese Stocks												
Taiwan \$ Prices					U.S. \$ Prices							
China Rebar &	25.40	2.70	13.15	3.27	-	8.1	-	75.1	4,692.1	0.42	0.10	- 75.9
Thai Stocks												
Baht Prices					U.S. \$ Prices							
BEC World Public Co.	354.00	168.00	266.00	206.00	-	3.7	-	22.6	41,200.0	7.10	4.69	- 33.9
Shin Satellite	45.00	19.75	39.25	27.25	-	10.7	-	30.6	11,921.9	1.05	0.62	- 40.7
Grammy Entertainment	170.00	78.00	128.00	83.50	-	7.2	-	34.8	4,175.0	3.42	1.90	- 44.3
TelecomAsia	69.50	20.25	48.75	25.00	-	9.9	-	48.7	55,575.0	1.30	0.57	- 56.2
Samart Corp.	55.00	14.75	43.00	16.25	-	9.7	-	62.2	1,223.9	1.15	0.37	- 67.7
Shin Corp.	418.00	113.00	356.00	131.00	-	9.7	-	63.2	38,474.7	9.50	2.98	- 68.6
United Broadcasting &	50.50	12.50	37.75	12.50	-	24.2	-	66.9	9,259.7	1.01	0.28	- 71.7
Kagan Averages												
Australian Media Average	11.33	6.85	8.40	7.21	-	14.4	-	14.2	-14.2			
Asia Broadcast Average	2958.40	984.38	1588.52	1296.57	-	14.1	-	18.4	-18.4			
Japanese Media Average	534.46	180.46	292.57	224.91	-	10.0	-	23.1	-23.1			
Asia Pay TV Average	59.78	9.40	52.92	9.86	-	50.0	-	81.4	-81.4			
Asia Internet Average	572.02	36.29	493.86	36.29	-	35.5	-	92.7	-92.7			

ASIA MEDIA INITIAL PUBLIC OFFERINGS

Country	Company	IPO Date	IPO Price	First Day Close	% Gain/Loss	Shares Sold (mil.)	Shares Out (mil.)	Shares Sold as % of S/O
Singapore	Wizoffice.com	9/29/00	S\$0.20	S\$0.14	-30.0	82.0	454.7	18.0
Japan	Asahi Natl. Bcstg. Co.	10/3/00	¥400,000	¥390,000	-2.5	0.220	1.006	21.9
Japan	Impress Corp.	10/6/00	¥580,000	¥850,000	46.6	0.023	0.103	22.3
US	Asia Global Crossing	10/6/00	7.00	7.38	5.4	68.0	3899.5	1.7
Japan	Toshin Corp.	10/11/00	¥750,000	¥610,000	-18.7	0.0002	0.006	2.5
Japan	Sky Perfect Comm.	10/20/00	¥320,000	¥255,000	-20.3	0.465	2.237	20.8
Australia	RG Capital Radio	10/26/00	A\$2.00	A\$2.26	13.0	25.0	57.3	43.6
India	Hughes Tele.com	10/26/00	INR12.00	INR11.95	-0.4	---	1405.3	---
Japan	i-cf Inc.	10/27/00	¥700,000	¥361,000	-48.4	0.002	0.012	16.7

PENDING INITIAL PUBLIC OFFERINGS

Country	Company	IPO Date	Range	Shares Offered (mil.)	Shares Out (mil.)	Shares Sold as % of S/O
Australia	Digital Media Group	postponed	A\$0.50	20.0	53.3	37.5
Australia	GoConnect	4th qtr	A\$0.35	58.0	130.6	44.4
Australia	Stratatel	11/6/00	A\$0.25	5.0	20.1	24.8
China	Asiacontent.com	Not set	HK\$14.00	5.8	34.3	16.9
China	Jiangsu Baosheng Group	Not set		110.0	---	---
Hong Kong	Asia Television	4th qtr		---	---	---
Hong Kong	Caripac.com	postponed	HK\$2.48-2.80	100.0	---	---
Hong Kong	China Infonet	suspended	HK\$1.18-1.48	400.0	2000.0	20.0
Hong Kong	China Internet Group	2001		---	---	---
Hong Kong	China Motion.com	Not set		---	---	---
Hong Kong	E-finet.com	Not set		---	---	---
Hong Kong	e-Locked	suspended	HK\$0.50	285.0	---	---
Hong Kong	email.com	Not set		---	---	---

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STOCKMARKETS

Close

Country	Index	Dec 31 '99	Sep 29 '00	Oct 31 '00	% Chg.*	% Chg.®
China	Shanghai B-Share Index	37.91	62.13	69.55	+	12.0
China	Shenzhen B-Share Index	84.66	107.32	115.51	+	7.6
Pakistan	Karachi SE 100 Share	1408.91	1564.78	1489.33	-	4.8
Australia	Sydney All Ordinaries	3152.50	3246.10	3203.90	+	1.3
United States	Dow Jones Industrials	11497.12	10650.92	10971.14	-	3.0
Britain	Financial Times 100-Sh.	6930.20	6294.20	6438.40	+	2.3
Malaysia	Kuala Lumpur Composite	812.33	713.51	752.36	+	5.4
Hong Kong	Hang Seng Index	16962.10	15648.98	14895.34	-	4.8
New Zealand	SE 40 Capital Index	2206.69	2009.58	1929.44	-	4.0
Singapore	Singapore Straits Times	2479.58	1997.03	1976.54	-	1.0
Japan	Nikkei 225 Index	18934.34	15747.26	14539.60	-	7.7
India	Bombay Sensex Index	5005.82	4090.38	3711.02	-	9.3
Taiwan	Taipei Weighted	8448.84	6432.36	5544.18	-	13.8
Philippines	Manila SE Composite	2142.97	1434.49	1287.85	-	10.2
Indonesia	Jakarta SE Composite	676.92	421.34	405.35	-	3.8
Thailand	Bangkok SET Index	481.92	277.29	271.84	-	2.0
South Korea	KSE Composite	1028.07	613.22	514.48	-	16.1

* % Chg. 9/29/00 to 10/31/00.

CURRENCIES

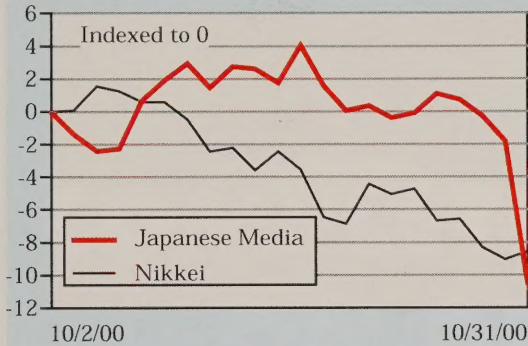
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Country	Currency	Dec 31 '99	Sep 29 '00	Oct 31 '00	% Chg.*	% Chg.®
South Korea	Won	0.00087873	0.00089326	0.00087951	-	1.5
China	Renminbi	0.12078	0.12079	0.12081	+	0.0
Malaysia	Ringgit	0.26319	0.26312	0.26319	+	0.0
Hong Kong	Dollar	0.12864	0.12823	0.12825	+	0.0
Taiwan	Dollar	0.031861	0.032020	0.030901	-	3.5
Singapore	Dollar	0.60024	0.57409	0.56948	-	0.8
Japan	Yen	0.0097551	0.0092963	0.0091861	-	1.2
India	Rupee	0.02296	0.02170	0.02144	-	1.2
Britain	Pound	1.61820	1.46370	1.44770	-	1.1
Thailand	Baht	0.026684	0.023666	0.022776	-	3.8
Australia	Dollar	0.65665	0.54870	0.51855	-	5.5
Philippines	Peso	0.024848	0.021668	0.019399	-	10.5
Indonesia	Rupiah	0.00014085	0.00011390	0.00010724	-	5.8
New Zealand	Dollar	0.52130	0.41385	0.39435	-	4.7

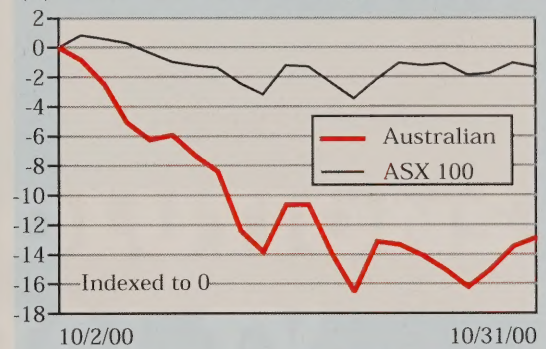
* % Chg. 9/29/00 to 10/31/00.

STOCKMARKETS

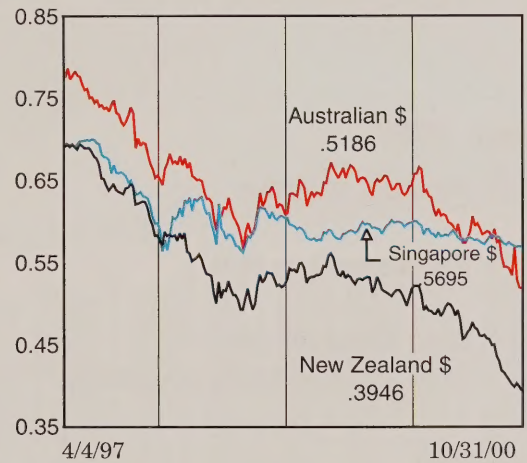
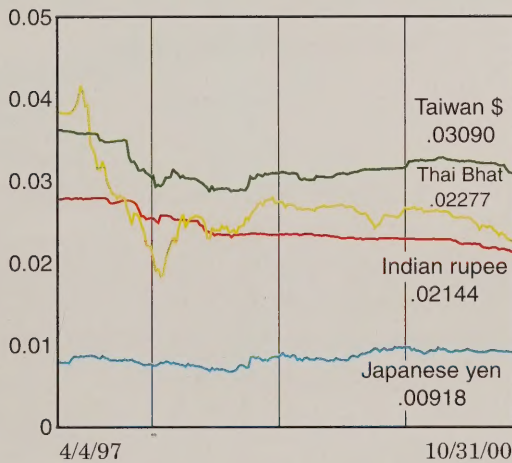
(%) **Japanese Media Avg. vs. Nikkei**



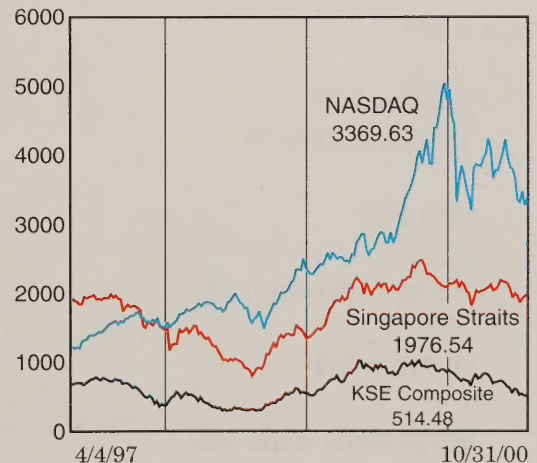
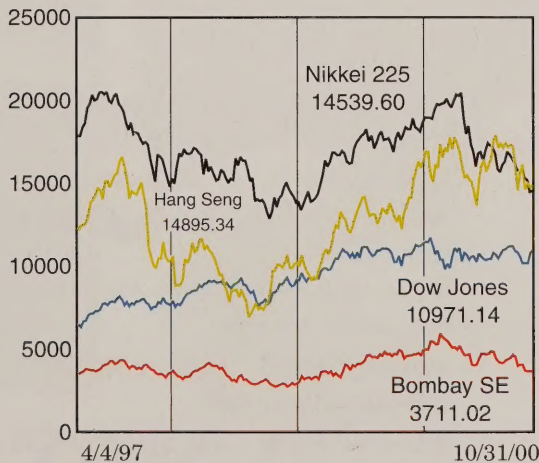
(%) **Australian Media Avg. vs. ASX 100**



ASIAN CURRENCIES



ASIAN STOCKMARKETS



Events

— NOVEMBER 2000

7-9	APSCC 2000 Conference & Exhibition	Seoul	☎ 822-508-4883 Fax: 822-568-8593 Email: apsc@chollan.net Web: www.apsc.or.kr.com
8-10	SCaT India 2000	Mumbai	☎ 9122-494-8280 Fax: 9122-496-3465 Web: www.scatinia.com
13-14	Satellite Communications for Non-Technical Professionals	Singapore	☎ 44-1727-832288 Fax: 44-1727-810194 Email: maria@comsys.co.uk Web: www.comsys.co.uk
15-17	CASBAA 2000	Singapore	☎ 65-222-8550 Fax: 65-226-3264 E-mail: guan@aic-asia.com Web: www.casbaa.org
15-17	Inter BEE 2000	Tokyo	☎ 81-3-540-27601 Fax: 81-3-5402-7605 Email: bee@jesa.or.jp
28-30	China Satellite 2000 Conference and Exhibition	Shenzhen	☎ 86-10-6470-1565 Fax: 86-10-6470-1565 Email: lp@mail.263.net.cn
29-Dec 1	Internet World Japan	Tokyo	☎ 8-13-5800-4831 Fax: 8-13-5800-3973 Email: iw@idg.co.jp Web: www.idg.co.jp/expo/iw
29-Dec 1	Vietnam Broadcasting Pro-Audio	Hanoi	☎ 65-288-9827 Fax: 65-858-4490 Email: fastsyst@singnet.com.sg

— DECEMBER 2000

4-5	Promax & BDA 2000	Singapore	☎ 852-2895-6865 Fax: 852-2895-6146 Web: www.synapsepacific.com
4-9	ITU Telecom Asia 2000	Hong Kong	☎ 41-22-730-5244 Fax: 41-22-730-6444 Email: lili.rison@itv.int
5-7	China TeleSports 2000 – China Televised Sports International	Beijing	☎ 86-10-6466-0654 Fax: 86-10-6463-4950 Email: fairlink@public.gb.com.cn

— JANUARY 2001

14-18	PTC 2001	Honolulu	☎ 1-808-941-3789 Fax: 1-808-944-4874 Email: ptc2001@ptc.org Web: www.ptc.org
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— FEBRUARY 2001

1-3	BES Expo 2001	New Delhi	☎ 91-11-649-2444 Fax: 91-11-649-2888
7-9	Satellite & Cable TV	Singapore	☎ 65-536-8676 Fax: 65-536-4350 Email: info@abf.com.sg Web: www.abf-asia.com
11-14	Milia 2001	Cannes	☎ 33-11-4190-4480 Fax: 33-11-4190-4470 Web: www.milia.com
26-28	Wireless Infocomms 2001	Sydney	☎ 61-2-9210-5700 Fax: 61-2-9223-8216 Web: www.terrapinn.com
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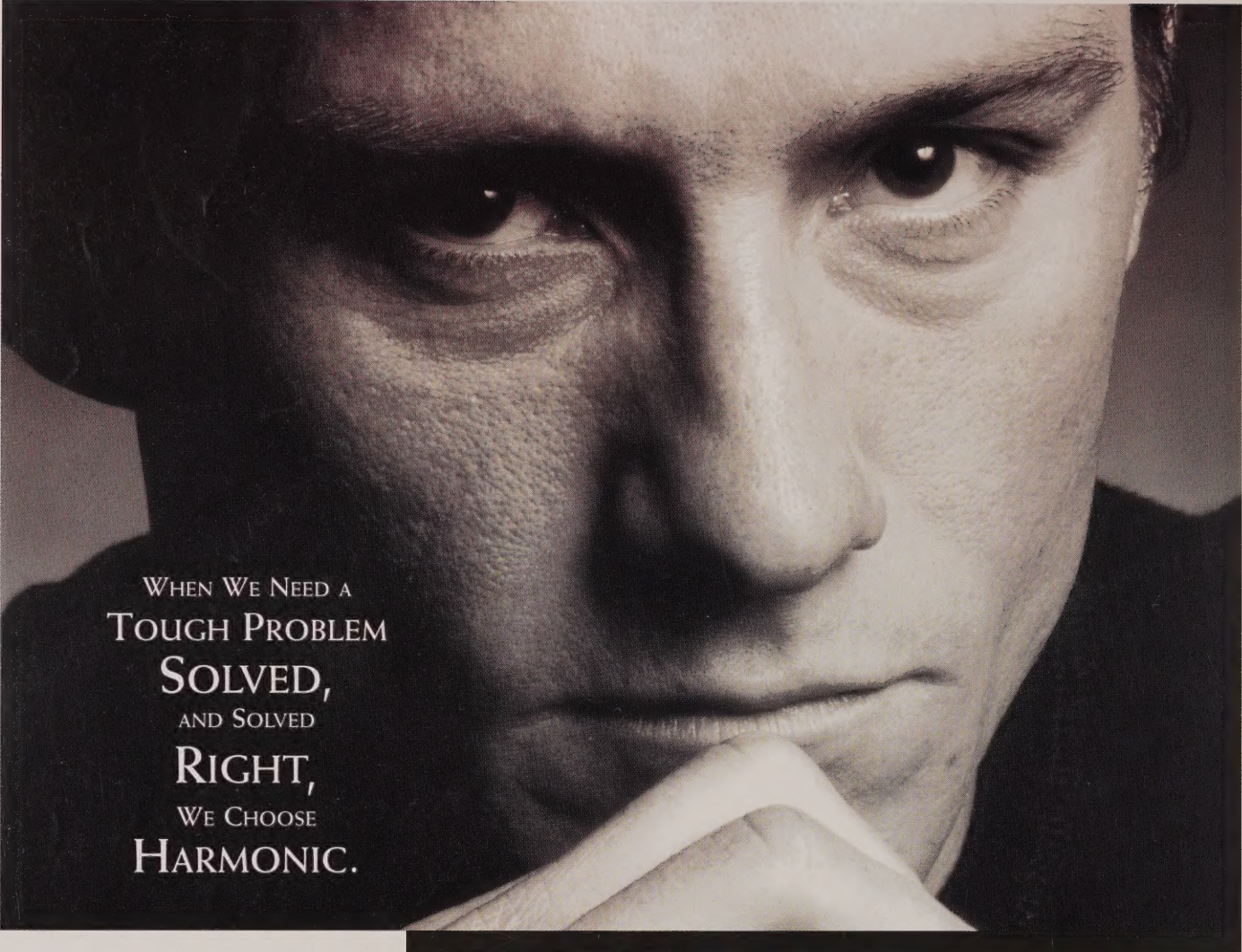
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